

Broadlawns Medical Center

Financial Report

06.30.2004

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

We have audited the accompanying balance sheet of Broadlawns Medical Center (the Medical Center) as of June 30, 2004, and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. We have also audited the balance sheets of Broadlawns Medical Center Foundation, a discretely presented component unit, as of June 30, 2004 and 2003, and the related combined statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center and Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Broadlawns Medical Center as of and for the year ended June 30, 2003 were audited by other auditors whose report, dated October 3, 2003, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Broadlawns Medical Center Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broadlawns Medical Center, as of June 30, 2004, and the results of their operations and their cash flows for the year then ended and the financial position of Broadlawns Medical Center Foundation, a discretely presented component unit, as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated September 2, 2004, on our consideration of the Broadlawns Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As stated in Note 11, Broadlawns Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in 2004.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the 2004 basic financial statements of the Medical Center and 2004 and 2003 financial statements of the Foundation taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and other supplementary information as of and for the year ended June 30, 2004 of the Medical Center and as of and for the years ended June 30, 2004 and 2003 of the Foundation has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information for the year ended June 30, 2003 relating to the Medical Center was audited by other auditors whose report, dated October 3, 2003, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Medical Center patient and Medical Center statistical data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
September 2, 2004

Broadlawns Medical Center

Management Discussion and Analysis Years Ended June 30, 2004 and 2003

Introduction

This section of the Broadlawns Medical Center (Medical Center) annual financial report presents management's discussion and analysis of the Medical Center's financial performance during the years ended June 30, 2004 and 2003. The purpose is to provide an objective analysis of the financial activities of the Medical Center based on currently known facts, decisions, and conditions. Please read it in conjunction with the Medical Center's basic financial statements and the notes to the financial statements.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis and the basic financial statements.

Required Financial Statements

The balance sheet offers short-term and long-term financial information about its activities. The balance sheet includes all of the Medical Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Medical Center creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Medical Center, and assessing the liquidity and financial flexibility of the Medical Center. All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses and changes in net assets. This statement measures the results from the Medical Center's operations over the past year and can be used to determine whether the Medical Center has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the statement of cash flow. The primary purpose of this statement is to provide answers to such questions as, "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Financial Analysis of the Medical Center

The balance sheet and the statement of revenue, expenses, and changes in net assets, report information about the Medical Center's activities. These two statements report the net assets of the Medical Center and changes in them. Increases or decreases in the Medical Center's net assets are one indication of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations and changes in managed care contracting should be considered.

Our discussion and analysis of Broadlawns Medical Center's financial performance provides an overview of the Medical Center's financial activities for the fiscal years ended June 30, 2004 and 2003. Fiscal year 2003 was the first year the new financial reporting model was implemented. Therefore, all required comparative information for fiscal year 2002 may not be present, but all comparative information will be presented in subsequent Management Discussion and Analysis. Please read this in conjunction with the financial statements in this report.

Organization

Broadlawns Medical Center is organized under Chapter 347 of the Iowa Code, not subject to taxes on income or property. The Medical Center is a county public hospital and receives tax support from the property tax levy. A seven member elected Board of Trustees has the responsibility for overseeing Medical Center operations.

Broadlawns Medical Center

Management Discussion and Analysis Years Ended June 30, 2004 and 2003

Broadlawns Medical Center Foundation (Foundation) is a legally separate, tax exempt, discretely presented component unit of Broadlawns Medical Center. The Foundation was formed to among other things, raise funds for the general welfare, maintenance, and improvement of the Medical Center. The Board of the Foundation is self-perpetuating and consists of citizens of Polk County. Although the Medical Center does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are contributed to the Medical Center. Because these resources held by the Foundation have historically been for the benefit of the Medical Center, the Foundation is considered a component unit of the Medical Center and is discretely presented in the Medical Center's financial statements. Complete financial statements for the Foundation can be obtained from Gary Uhl, the Vice President of Financial Services, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Financial Highlights

- During the year the Medical Center increased its net assets by \$1,925,839, which is a \$3,840,360 turn around from last fiscal year, which ended with a decrease in net assets of (\$1,914,521).
- Total operating expenses for the current fiscal year ended were \$119,248 less than last fiscal year.
- Net operating revenue for the year was \$36,020,012, which is an increase of \$861,366.
- Net nonoperating revenue, which includes the property tax levy, increased \$2,859,746. Increase in the property tax levy accounted for \$2,774,630 of the total increase in net nonoperating revenue.
- During the fiscal year the Medical Center made capital investments totaling \$2,058,711. Capital investments did not exceed depreciation and amortization expense of \$2,889,657. The following is a list of significant purchases and improvements:

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2004 Cost</u>
Lapro System	Dade Behring	Laboratory	\$ 63,406
IV Pumps	Sigma	Clinical Services	214,530
Infrastructure	Vital	Sands Wing	306,606
	Support/Baker		
	Electric		
Electrical Upgrade	Baker Electric	Sands Wing	541,588
Kronos Time and Attendance	Kronos	Information Technology Services	146,269
Fluoroscopy	GE Medical	Radiology	271,330

The source of funding of these projects is derived from operations and unspent funds from general obligation bonds whose uses are limited by bond indentures.

Net Assets

Total current assets are \$61,540,735, which is \$4,148,238 greater than last year. The difference is due to an increase in succeeding year's county property tax levy receivable of \$3,121,676, and in the amount due from third-party payors of \$945,010. Net capital assets at June 30, 2004 are \$21,271,173, which is \$798,859 less than last fiscal year.

Broadlawns Medical Center

Management Discussion and Analysis Years Ended June 30, 2004 and 2003

Total current liabilities of \$51,438,153 are \$654,520 less than last fiscal year. The difference is due to an increase in deferred revenue for succeeding year county property tax revenue of \$3,121,676 and a decrease in accrued claims of our self-insured plans of \$2,027,402 and a decrease of \$1,168,545 in accrued payroll and payroll taxes. Long-term liabilities of \$9,584,306 are \$588,186 less than last fiscal year. The decrease is due to principal payments, debt and capital leases which reduced the long-term portion of debt by \$1,242,346. Net assets total \$24,491,825, which is \$1,925,839 more than last fiscal year.

A summary of the Medical Center's balance sheet is presented in Table 1 below:

Table 1

Condensed Balance Sheet	June 30,		
	2004	2003	Increase (Decrease)
Total current assets	\$ 61,540,735	\$ 57,392,497	\$ 4,148,238
Capital assets, net	21,271,173	22,070,032	(798,859)
Other assets, including board-designated investments	2,710,463	5,376,709	(2,666,246)
Total assets	\$ 85,522,371	\$ 84,839,238	\$ 683,133
Current liabilities	\$ 51,438,153	\$ 52,092,673	\$ (654,520)
Long-term debt outstanding and other long-term liabilities	9,584,306	10,172,492	(588,186)
Total liabilities	61,022,459	62,265,165	(1,242,706)
Invested in capital assets, net of related debt	12,624,632	13,130,441	(505,809)
Restricted net assets	1,254,362	2,921,788	(1,667,426)
Unrestricted net assets	10,620,918	6,521,844	4,099,074
Total net assets	24,499,912	22,574,073	1,925,839
Total liabilities and net assets	\$ 85,522,371	\$ 84,839,238	\$ 683,133

Broadlawns Medical Center

Management Discussion and Analysis Years Ended June 30, 2004 and 2003

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of the Medical Center's revenue, expenses and changes in net assets for the fiscal years ended June 30, 2004 and 2003. Net patient revenue is \$30,918,009, which is \$1,538,816 more than last fiscal year. The increase is due to a 3.7% increase in outpatient visits and improved collection efforts up front. Grants and contract revenue is \$2,894,818, which is \$654,531 less than last fiscal year. The decrease is mainly due to the discontinued relationship with Primary Health Care, Inc. on October 1, 2002. Salaries increased \$615,044 or 1.8% and fringe benefits decreased \$2,962,491 mainly due to reduction in liabilities in our self-insured trust funds for health insurance. Supplies and other expenses are \$24,323,079, which is \$2,327,614 more than last fiscal year. The increase is mainly due to an increase in pharmacy costs of \$1,079,815 and \$548,556 in operation of plant costs. The Medical Center purchased an insurance policy to cover the maintenance and repairs of specific equipment with the expense being charged to operation of plant. Property taxes totaled \$39,318,842, which is \$2,774,630 more than last fiscal year. Property taxes for improvement and maintenance are fixed at a rate set by the legislature and at costs for specific levies.

Table 2

Revenue, Expenses, and Changes in Net Assets	Year Ended June 30,		
	2004	2003	Increase (Decrease)
Revenue:			
Net patient service revenue	\$ 30,918,009	\$ 29,379,193	\$ 1,538,816
Grants and contracts	2,894,818	3,549,349	(654,531)
Other	2,207,185	2,230,104	(22,919)
Total operating revenue	36,020,012	35,158,646	861,366
Expenses:			
Salaries and employee benefits	42,786,915	45,134,362	(2,347,447)
Supplies and other expenses	24,323,079	21,995,465	2,327,614
Physician fees and outside services	3,379,448	3,444,984	(65,536)
Depreciation	2,889,657	2,923,536	(33,879)
Operating expenses	73,379,099	73,498,347	(119,248)
Operating loss	(37,359,087)	(38,339,701)	980,614
Nonoperating revenue, net	39,284,926	36,425,180	2,859,746
Increase (decrease) in net assets	\$ 1,925,839	\$ (1,914,521)	\$ 3,840,360

Patient and Medical Center Statistical Data

Admissions of 4,567 patients for the current fiscal year are 497 less than last fiscal year. Average length of stay for acute patients is 3.2 days, which is .1 day more than last fiscal year. Average length of stay for mental health patients is 6.0 days, which is .8 days more than last fiscal year. The combined decrease in admissions and increase in length of stay results in a decrease in patient days of 494 days to 18,099 days for the fiscal year ended June 30, 2004.

Broadlawns Medical Center

Management Discussion and Analysis Years Ended June 30, 2004 and 2003

The outpatient visits for the fiscal year ended June 30, 2004 are 166,874, which is 5,834 more than last fiscal year. The increase is primarily in Mental Health Services, which accounts for 4,522 of the increased visits, and in the Walk-in Clinic and Doctors Health Clinic, which accounts for 1,598 of the increased visits.

Table 3

Patient and Medical Center Statistical Data	Year Ended June 30,		Increase (Decrease)
	2004	2003	
Total patient days	18,099	18,593	(494)
Admissions	4,567	5,064	(497)
Discharges	4,546	5,067	(521)
Average length of stay (Days):			
Acute	3.2	3.1	0
Mental health	6.0	5.2	1
Outpatient visits:			
Mental health	41,119	36,597	4,522
Walk-in Clinic and Doctors Health Clinic	35,139	33,541	1,598
Emergency room and urgent care room	27,724	27,459	265
Specialty Clinic	23,010	22,186	824
Outpatient Clinic	17,384	19,305	(1,921)
Dental clinics	8,576	7,551	1,025
OB Clinic and Family Planning	6,774	6,530	244
Chemical dependency	3,891	4,701	(810)
Homeless outreach	3,257	3,170	87
Total outpatient visits	166,874	161,040	5,834

Broadlawns Medical Center

Management Discussion and Analysis Years Ended June 30, 2004 and 2003

Sources of Revenue

Net Patient Revenue

The Medical Center is the safety net for the indigent uninsured and underinsured of Polk County and is dependent on two major sources of revenue, net patient revenue and property taxes. During the fiscal year 2004 the Medical Center recorded \$30,918,009 in net patient revenue representing 39.7% of total revenue. The \$30,918,009 in net patient revenue represents 36.7% of gross patient charges compared to 38.6% last fiscal year. The majority of net patient revenue is paid by Medicare, Medicaid, and third-party payors based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Any patient falling under 200% of the federal poverty guidelines without a third-party payor is considered indigent and eligible for charity care.

Table 4 presents the relative percentage of gross charges billed for patient services by payor for the last two fiscal years. There was no material change in the payor mix between the fiscal year ended June 30, 2004 and the fiscal year ended June 30, 2003.

Table 4

Payor Mix by Percentages	Year Ended June 30,		Increase (Decrease)
	2004	2003	
Medicare	14%	12%	2%
Medicaid	22	24	(2)
Third-party payors	8	5	3
Polk County Health Services, Inc.	3	4	(1)
Wellmark	2	2	-
Self pay, including charity care and bad debts	51	53	(2)
Total	100%	100%	

Broadlawns Medical Center

Management Discussion and Analysis Years Ended June 30, 2004 and 2003

Deductions from revenue consist of charity care totaling \$27,285,255, contractual adjustments totaling \$14,021,784, and bad debts totaling \$12,115,011. Table 5 presents the percentages of charity care, contractual adjustments, bad debts, and net patient revenue as compared to gross patient charges for the years ended June 30, 2004 and 2003. As a percentage of gross patient charges, charity care decreased 0.7%, contractual adjustments increase 2.8%, and bad debts decreased 0.1%, resulting in a decrease of 2.0% net patient revenue as compared to gross patient charges.

Table 5

	Year Ended June 30,			
	2004	2003	Net Dollar Increase (Decrease)	Increase (Decrease)
Net Patient Revenue				
Gross patient revenue	\$ 84,340,059	\$ 76,200,914	\$ 8,139,145	10.7%
Charity care	(27,285,255)	(25,196,794)	(2,088,461)	8.3
Contractual adjustments	(14,021,784)	(10,548,305)	(3,473,479)	32.7
Bad debt	(12,115,011)	(11,076,622)	(1,038,389)	9.4
Net patient revenue	\$ 30,918,009	\$ 29,379,193	\$ 1,538,816	5.0%

Grant/Contract Revenue

Grant and contract revenue for the year ended June 30, 2004 totaled \$1,326,137 and \$1,568,681, respectively, for a total of \$2,894,818, which represents 3.7% of total revenue compared to a total of \$3,549,349 in 2003. On October 1, 2002, Primary Health Care, Inc. ceased operating on campus. Primary Health Care Inc. was grantee of several grants that are no longer reflected on the Medical Center's books from that date forward.

Other Revenue

Other revenue consists of cafeteria revenue, sale of supplies, and services provided to other entities. Other revenue totals \$2,207,185, which represents 2.8% of total revenue.

Tax Receipts

Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2004, the Medical Center's tax receipts totaled \$39,318,842, which was an increase of \$2,774,630 or 7.6% increase from the prior year. The tax receipts represented 50.5% of total revenue. Distribution of the Iowa personal property taxes was discontinued after 2003.

Anticipated tax receipts for the next fiscal year 2005 is \$42,311,359. Included in the certified levy for 2005 is an emergency levy for \$3,213,179, which is restricted to replacement of the Medical Center's financial, patient accounting and clinical computer systems. Evaluation, selection, and implementation of the new computer system will cover the next two fiscal years.

Broadlawns Medical Center

Management Discussion and Analysis Years Ended June 30, 2004 and 2003

Table 6

Tax Receipts	2004	2003	Increase (Decrease)	Levied Taxes June 30, 2005
Improvement and maintenance	\$ 26,328,611	\$ 25,004,638	\$ 1,323,973	\$ 26,631,425
FICA Fund	2,621,816	2,416,668	205,148	2,378,381
IPERS Fund	1,861,111	1,811,312	49,799	1,941,626
Unemployment Fund	54,713	26,469	28,244	84,311
Tort (Insurance) Fund	8,452,591	7,285,125	1,167,466	8,062,437
Emergency Tax Levy	-	-	-	3,213,179
Total taxes	\$ 39,318,842	\$ 36,544,212	\$ 2,774,630	\$ 42,311,359

Capital Assets

June 30, 2004: As of June 30, 2004 the Medical Center had \$21,271,173 invested in capital assets. Capital expenditures in 2004 were approximately \$830,946 less than 2004 depreciation expense, resulting in a reduction of capital assets from 2003 to 2004.

June 30, 2003: As of June 30, 2003 the Medical Center had \$22,070,032 invested in capital assets. This represented a decrease in comparison to June 30, 2002.

Table 7

	June 30,		
	2004	2003	Increase (Decrease)
Capital assets not being depreciated:			
Land	\$ 58,276	\$ 58,276	\$ -
Construction in progress	276,052	568,008	(291,956)
Capital assets net of depreciation:			
Land improvements	2,021,580	2,182,926	(161,346)
Buildings	7,267,711	7,761,389	(493,678)
Building equipment	7,222,189	6,639,162	583,027
Fixed equipment	50,241	58,317	(8,076)
Vans	162,905	47,395	115,510
Major movable equipment	3,969,335	4,664,872	(695,537)
Equipment under capital lease	242,884	89,687	153,197
Total capital assets, net	\$ 21,271,173	\$ 22,070,032	\$ (798,859)

Broadlawns Medical Center

Management Discussion and Analysis Years Ended June 30, 2004 and 2003

Long-Term Debt

Long-term debt consists of general obligation capital loan notes, general obligation bonds, and capital lease obligations described in more detail in the Notes to the Basic Financial Statements. The principal balance on the outstanding obligations was \$8,966,890 as of June 30, 2004 and \$10,210,811 as of June 30, 2003. The decreases are attributable to the bond principal payments offset by new debt and a new capital lease in 2004.

Fiscal Year 2005 Outlook

The Board of Trustees has approved and set the budget for the 2005 fiscal year. The budget projects a net operating income of \$1,553,000 and non-operating income of \$3,356,000. The non-operating income is due to the emergency fund tax levy, which is restricted to purchasing a new computer system, and cannot be used for operations.

The Medical Center has recently been notified that its grant application through the Department of Human and Health Resources and Service Administration (HRSA) for the design of an expansion to the emergency room and registration area has been accepted and awarded in the amount of \$984,159. A second HRSA grant application for year two in the amount of \$8,000,000 has been submitted and is awaiting federal legislation action in early 2005. The Medical Center's grant team is in the process of submitting a third year HRSA Grant application within the next two months.

The Medical Center has filed for additional disproportionate share reimbursement from Medicare under a special regulation known as the "Pickle Amendment." This legislation provides additional reimbursement to hospitals with a higher percentage of indigent patients.

During the current fiscal year a union organized registered nurses at the Medical Center into a bargaining unit. An election was won by the union, but is being challenged in court by the Medical Center.

Contacting the Medical Center's Financial Management

The financial report provides the citizens of Polk County, our patients, bondholders, and creditors with a general overview of the Medical Center's finances and operations. If you have any questions about this report, please contact Gary Uhl, Vice President of Financial Services, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Broadlawns Medical Center

Balance Sheets

June 30, 2004 and 2003

Assets	Medical Center		Component Unit (Foundation)	
	2004	2003	2004	2003
Current Assets:				
Cash and cash equivalents (Note 3)	\$ 2,431,625	\$ 2,293,824	\$ 140,386	\$ 98,316
Assets limited as to use or restricted, required for current liabilities (Notes 3 and 4)	3,908,838	3,283,553	-	-
Receivables:				
Patient, less estimated allowances for uncollectibles				
2004 \$3,207,185; 2003 \$2,432,000 (Note 6)	9,887,176	10,477,503	-	-
Property taxes	395,801	408,876	-	-
Succeeding year property taxes	42,311,359	39,189,683	-	-
Federal grants	220,953	343,652	-	-
Nonfederal grants	177,861	46,603	-	-
Other	114,360	398,922	25,511	-
Due from third-party payors	1,091,378	146,368	-	-
Inventories	384,089	395,625	-	-
Prepaid expenses and other assets	617,295	407,888	-	-
Total current assets	61,540,735	57,392,497	165,897	98,316
Noncurrent Assets:				
Assets limited as to use or restricted (Notes 3 and 4):				
Cash and cash equivalents	580,092	2,646,934	-	-
Investments	1,716,898	2,428,434	-	-
Funds on deposit	93,124	29,659	-	-
	2,390,114	5,105,027	-	-
Capital assets, net (Note 5)	21,271,173	22,070,032	6,773	-
Other assets	320,349	271,682	-	-
Total noncurrent assets	23,981,636	27,446,741	6,773	-
	\$ 85,522,371	\$ 84,839,238	\$ 172,670	\$ 98,316

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Medical Center		Component Unit (Foundation)	
	2004	2003	2004	2003
Current Liabilities:				
Current maturities of long-term debt (Note 6)	\$ 930,000	\$ 976,116	\$ -	\$ -
Current maturities of capital lease obligations (Note 6)	511,295	466,754	-	-
Accounts payable and other accrued expenses	2,562,097	3,140,771	356,514	256,229
Accrued employee compensation and payroll taxes	3,689,586	4,858,131	1,065	4,799
Current portion of accrued claims on self-insurance (Note 8)	1,433,816	3,461,218	-	-
Deferred revenue for succeeding year property taxes	42,311,359	39,189,683	-	-
Total current liabilities	51,438,153	52,092,673	357,579	261,028
Noncurrent Liabilities:				
Accrued claims on self-insurance, less current portion (Note 8)	2,058,711	1,404,551	-	-
Long-term debt, less current maturities (Note 6)	4,102,478	5,044,169	-	-
Long-term capital lease obligations, less current maturities (Note 6)	3,423,117	3,723,772	-	-
Total noncurrent liabilities	9,584,306	10,172,492	-	-
Total liabilities	61,022,459	62,265,165	357,579	261,028
Commitments and Contingencies (Notes 5 and 8)				
Net Assets:				
Invested in capital assets, net of related debt	12,624,632	13,130,441	-	-
Restricted:				
For debt service	614,076	623,269	-	-
For capital acquisitions	559,752	2,213,739	-	-
For specific activities	80,534	84,780	169,219	100,225
Unrestricted	10,620,918	6,521,844	(354,128)	(262,937)
Total net assets	24,499,912	22,574,073	(184,909)	(162,712)
	\$ 85,522,371	\$ 84,839,238	\$ 172,670	\$ 98,316

Broadlawns Medical Center

Statements of Revenue, Expenses, and Changes in Net Assets Years Ended June 30, 2004 and 2003

	Medical Center		Component Unit (Foundation)	
	2004	2003	2004	2003
Operating revenue:				
Net patient service revenue, net of provision for bad debts 2004 \$12,115,011; 2003 \$11,076,622 (Note 2)	\$ 30,918,009	\$ 29,379,193	\$ -	\$ -
Contracts	1,326,137	1,776,643	-	-
Operating grants	1,568,681	1,772,706	-	-
Other	2,207,185	2,230,104	205,887	120,323
Total operating revenue	36,020,012	35,158,646	205,887	120,323
Operating expenses:				
Salaries and wages	35,676,587	35,061,543	74,510	111,976
Employee benefits	7,110,328	10,072,819	4,152	10,142
Physician fees and outside services	3,379,448	3,444,984	-	-
Supplies and other expenses	24,323,079	21,995,465	31,651	43,090
Depreciation and amortization	2,889,657	2,923,536	700	-
Total operating expenses	73,379,099	73,498,347	111,013	165,208
Operating income (loss)	(37,359,087)	(38,339,701)	94,874	(44,885)
Nonoperating revenue (expense):				
Property taxes	39,318,842	36,544,212	-	-
State appropriations	312,000	312,198	-	-
Noncapital grants and contributions	9,020	21,774	(117,129)	(69,145)
Investment earnings	66,587	174,960	58	80
Interest expense	(563,517)	(631,791)	-	-
Capital grants and contributions	99,997	42,746	-	-
Other, net	41,997	(38,919)	-	-
Total nonoperating revenue (expense), net	39,284,926	36,425,180	(117,071)	(69,065)
Change in net assets	1,925,839	(1,914,521)	(22,197)	(113,950)
Net assets:				
Beginning	22,574,073	24,488,594	(162,712)	(48,762)
Ending	\$ 24,499,912	\$ 22,574,073	\$ (184,909)	\$ (162,712)

See Notes to Basic Financial Statements.

Broadlawns Medical Center

Statements of Cash Flows

Years Ended June 30, 2004 and 2003

	Medical Center		Component Unit (Foundation)	
	2004	2003	2004	2003
Cash Flows from Operating Activities:				
Receipts from and on behalf of patients	\$ 33,458,144	\$ 34,220,463	\$ -	\$ -
Payments to suppliers and contractors	(29,684,770)	(26,626,616)	68,633	115,785
Payments to employees	(43,955,460)	(44,645,249)	(82,395)	(123,977)
Other receipts and payments, net	2,234,890	2,230,104	180,376	120,323
Net cash provided by (used in) operating activities	(37,947,196)	(34,821,298)	166,614	112,131
Cash Flows from Noncapital Financing Activities:				
Property taxes	39,331,917	36,447,934	-	-
State appropriations	312,000	312,198	-	-
Noncapital grants and contributions	96,285	21,774	(117,129)	(69,145)
Interest paid on noncapital financing	(64,754)	(99,045)	-	-
Proceeds from issuing anticipatory warrants	11,161,500	11,398,000	-	-
Repayments of anticipatory warrants	(11,161,500)	(11,398,000)	-	-
Other	41,997	72,057	-	-
Net cash provided by (used in) noncapital financing activities	39,717,445	36,754,918	(117,129)	(69,145)
Cash Flows from Capital and Related Financing Activities:				
Capital grants and contributions	12,732	42,746	-	-
Property taxes restricted to capital acquisitions	-	35,898	-	-
Issuance of long-term debt	1,451,746	-	-	-
Principal paid on long-term debt	(2,923,199)	(1,554,002)	-	-
Interest paid on long-term debt	(498,763)	(535,633)	-	-
Purchase of capital assets	(1,831,179)	(1,886,909)	(7,473)	-
Proceeds from sale of capital assets	-	8,850	-	-
Net cash (used in) capital and related financing activities	(3,788,663)	(3,889,050)	(7,473)	-
Cash Flows from Investing Activities:				
Investment income	66,587	174,960	58	80
Purchase of investments	(2,058,555)	-	(529)	(1,377)
Proceeds from investments	2,770,091	1,869,165	-	-
Net cash provided by (used in) investing activities	778,123	2,044,125	(471)	(1,297)
Net increase (decrease) in cash and cash equivalents	(1,240,291)	88,695	41,541	41,689
Cash and cash equivalents:				
Beginning	8,253,970	8,165,275	96,939	55,250
Ending	\$ 7,013,679	\$ 8,253,970	\$ 138,480	\$ 96,939

(Continued)

Broadlawns Medical Center

Statements of Cash Flows (Continued) Years Ended June 30, 2004 and 2003

	Medical Center		Component Unit (Foundation)	
	2004	2003	2004	2003
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 2,431,625	\$ 2,293,824	\$ 138,480	\$ 96,939
Assets limited as to use or restricted, required for current liabilities	3,908,838	3,283,553	-	-
Assets limited as to use or restricted	580,092	2,646,934	-	-
Funds on deposit	93,124	29,659	-	-
Total cash and cash equivalents	\$ 7,013,679	\$ 8,253,970	\$ 138,480	\$ 96,939
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (37,359,087)	\$ (38,339,701)	\$ 94,874	\$ (44,885)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,889,657	2,923,536	700	-
Loss on disposal of capital asset	27,705	-	-	-
Changes in assets and liabilities:				
Patient receivables	590,327	(201,750)	-	-
Grants receivable	(8,559)	662,913	-	-
Inventories, prepaid expenses and other assets, and other receivables	86,691	(332,637)	(25,511)	-
Other assets	(108,459)	53,910	-	-
Due from third-party payors	(945,010)	937,873	-	-
Accounts payable and accrued expenses	(3,120,461)	(525,442)	96,551	157,016
Net cash provided by (used in) operating activities	\$ (37,947,196)	\$ (34,821,298)	\$ 166,614	\$ 112,131
Noncash Capital and Related Financing Activities, capital assets purchased through capital leases	\$ 227,532	\$ -	\$ -	\$ -

See Notes to Basic Financial Statements.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business:

Broadlawns Medical Center (the Medical Center) is a county public hospital created in 1917 and organized under the provisions of Chapter 347 of the Code of Iowa. As a county public hospital, the Medical Center is a political subdivision of the State of Iowa. The Medical Center is controlled by a seven-member Board of Trustees elected from qualified residents of Polk County, Iowa, for terms of six years. The Board of Trustees has all the power and duties granted to it by the General Assembly of Iowa.

The Medical Center provides primary and secondary health care services through the operation of an acute care hospital, various clinics, and other comprehensive health care programs. Patients are primarily from Polk County, Iowa. Care is provided to any resident of Polk County, Iowa, including those lacking adequate financial resources.

Broadlawns Medical Center Foundation (Foundation) is a legally separate, tax exempt, discretely presented component unit of Broadlawns Medical Center. The Foundation was formed to, among other things, raise funds for the general welfare, maintenance, and improvement of the Medical Center. The Board of the Foundation is self-perpetuating and consists of citizens of Polk County. Although the Medical Center does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are contributed to the Medical Center. Because these resources held by the Foundation have historically been for the benefit of the Medical Center, the Foundation is considered a component unit of the Medical Center and is discretely presented in the Medical Center's financial statements.

Significant accounting policies:

Basis of presentation: The financial statements include all funds of the above mentioned entities. The Medical Center does not have any other component units, agencies, or organizations for which it is financially accountable under criteria set forth by the Governmental Accounting Standards Board (GASB), other than the Foundation which is discretely presented in these financial statements.

Accounting standards: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to health care proprietary funds of governmental organizations, including all relevant pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 that do not conflict with GASB pronouncements. Accordingly, the accounting policies conform with the Audit and Accounting Guide, Health Care Organizations, as it relates to governmental organizations.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accrual basis of accounting: The accrual basis of accounting is used by the Medical Center and Foundation. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include temporary cash investments whose use is not limited or restricted. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient receivables: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Medical Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was \$12,115,011 and \$11,076,622 for the years ended June 30, 2004 and 2003, respectively.

Receivables or payables related to estimated settlements on various risk contracts that the Medical Center participates in are reported as estimated third-party payor receivables or payables.

Inventories: Inventories are stated at lower of cost or market, with cost determined using the first-in, first-out, or average cost method. Inventories are recorded as an expenditure at the time of consumption.

County tax levy receivable/succeeding year county tax levy receivable: The county tax levy is recognized as a receivable on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors and is thereby an enforceable legal claim. County tax levy receivable represents unpaid taxes for the 2004 fiscal year. The succeeding year county tax levy receivable represents taxes certified by the Board of Supervisors to be collected in the 2005 fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year county tax levy receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Investments: Assets limited as to use or restricted and investments are recorded at fair value. Interest-bearing investments are intended to be held until maturity. Donated investments are reported at fair value at date of receipt, which becomes the asset cost. Realized gains or losses are determined based on the specific-identification method.

Capital assets: Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from three to forty years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets and is depreciated over the estimated useful lives of the constructed assets. There was no interest capitalized on construction during the years ended June 30, 2004 and 2003.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Net patient service revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for bad debts.

Operating income: The Medical Center distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Medical Center, which is to provide medical services to the region. Other operating revenue consists of revenue from grants, contracts, cafeteria sales, and other miscellaneous services. Operating expenses consist of salaries and wages, employee benefits, physician fees and outside services, depreciation and amortization, interest and supplies, and other. All revenue and expenses not meeting these criteria are considered nonoperating.

For the Foundation, operating revenue and expenses generally result from operations of the Foundation. Other operating revenue consists of contributions received. Operating expenses consist of salaries and wages, employee benefits, depreciation, supplies, and other. All revenue and expenses not meeting these criteria are considered nonoperating.

Net assets: Net assets are classified in three components.

- *Invested in capital assets net of related debt* – this component of net assets consists of capital assets net of accumulated depreciation and amortization and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- *Restricted* – this component of net assets consists of constraints placed on net assets through external constraints that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Organization, including amounts deposited as required by debt agreements.
- *Unrestricted net assets* – this component of net assets consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”, above.

Tax revenue: Tax revenue, generated from property taxes, is recognized in revenue during the year for which it is levied. The Medical Center may receive tax support for maintenance and operations, certain payroll and other expenses, and property and equipment improvements and replacements, subject to specified limits.

Charity care: The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care rendered by the Medical Center, at established rates, totaled \$27,285,255 and \$25,196,794 for the years ended June 30, 2004 and 2003, respectively.

Income taxes: The Medical Center and Foundation are organizations described in Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, are exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Reclassifications: Certain items on the basic financial statements as of and for the year ended June 30, 2003 have been reclassified to be consistent with current year presentation. The reclassifications did not effect changes in net assets.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 2. Net Patient Service Revenue

As a provider of health care services, the Medical Center generally grants credit to patients without requiring collateral or other securities; however, it routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies that are considered third-party payors.

A significant portion of net patient service revenue relates to patients covered by Medicare, Medicaid, Wellmark, Polk County Health Services, Inc. (PCHS), and other reimbursement agreements. Patient revenue is recorded at the Medical Center's established rates when patient services are performed.

Reimbursement by third-party payor programs under the provisions of case payment and cost reimbursement programs in effect generally result in amounts received being less than the established billing rates of the Medical Center. Amounts due from and to third-party payors represent settlement amounts due from and to Medicare and other programs based upon the application of reimbursement formulas, applicable law, regulations, and program instructions.

A reconciliation of gross patient service revenue to net patient service revenue for the years ended June 30, 2004 and 2003 is as follows:

	2004	2003
Gross patient service revenue:		
Inpatient	\$ 35,181,952	\$ 34,552,913
Outpatient	49,158,107	41,648,001
	<u>84,340,059</u>	<u>76,200,914</u>
Less charity care	27,285,255	25,196,794
Gross patient service revenue	<u>57,054,804</u>	<u>51,004,120</u>
Less provisions for bad debts	<u>12,115,011</u>	<u>11,076,622</u>
Less contractual and other adjustments:		
Employee discounts	104,630	145,030
Contractual adjustments under third-party reimbursement programs:		
Medicare	1,131,287	662,090
Medicaid	5,700,813	3,912,149
Magellan	2,020,441	1,626,745
Heritage	241,676	672,552
Wellmark	444,745	401,083
PCHS	1,065,655	811,238
United Healthcare	436,051	271,127
Other	2,876,486	2,046,291
	<u>14,021,784</u>	<u>10,548,305</u>
Net patient service revenue	<u>\$ 30,918,009</u>	<u>\$ 29,379,193</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments

The Medical Center and Foundation are authorized by statute to invest public funds in obligations of the U.S. government and its agencies and instrumentalities, certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa, prime eligible banker's acceptances, certain high-rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies, and certain joint investment trusts.

As of June 30, 2004, the carrying amount of the Medical Center's deposits totaled \$6,732,057 (excluding \$4,222 of petty cash) with bank balances of \$7,140,110, all of which were entirely covered by either federal depository insurance or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

As of June 30, 2004, the carrying amount of the Foundation's deposits totaled \$140,386 with bank balances of \$140,459. All of the Foundation's deposits were entirely covered by Federal Depository Insurance Corporation.

The Iowa Code authorizes the Medical Center to invest in obligations of the U.S. government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions; prime banker's acceptances that mature within two hundred seventy days and that are eligible for purchase by a federal reserve bank; commercial paper or other short-term corporate debt that matures within 270 days and that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the superintendent of banking; repurchase agreements whose underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities; an open-end management investment company registered with federal securities and exchange commission under the Federal Investment Company Act of 1940; a joint investment trust organized pursuant to Chapter 28E prior to and existing in good standing on April 28, 1992, or is rated within the two highest classifications by at least one of the standard rating services approved by the superintendent of banking; and warrants or improvement certificates of a levee or drainage district.

Investments are categorized into these three categories of custodial credit risk:

- Insured or registered in the Medical Center's name, or securities held by the Medical Center or its agent in the Medical Center's name.
- Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Medical Center's name.
- Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Medical Center's name.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments (Continued)

As of June 30, 2004, the Medical Center's investment balances were as follows:

	Category			Fair Value
	(1)	(2)	(3)	
U.S. government securities	\$ 1,990,798	\$ -	\$ -	\$ 1,990,798

The Medical Center's carrying values of cash deposits and assets limited to use or restricted are as follows:

	2004	2003
Carrying value:		
Petty cash	\$ 4,222	\$ 3,455
Deposits	6,732,057	8,250,515
Investments	1,990,798	2,424,934
Investments in artwork	3,500	3,500
	<u>\$ 8,730,577</u>	<u>\$ 10,682,404</u>

The Medical Center's cash, deposits, and assets limited as to use or restricted are included in the following balance sheet captions:

	2004	2003
Cash and cash equivalents	\$ 2,431,625	\$ 2,293,824
Assets limited as to use, required for current liabilities	3,908,838	3,283,553
Assets limited as to use, noncurrent:		
Cash and cash equivalents	580,092	2,646,934
Investments	1,716,898	2,428,434
Funds on deposit, cash and cash equivalents	93,124	29,659
	<u>\$ 8,730,577</u>	<u>\$ 10,682,404</u>

The Foundation's carrying values of cash deposits and assets limited as to use or restricted are as follows:

	2004	2003
Carrying value:		
Deposits with financial institutions	\$ 138,480	\$ 96,939
Money market	1,906	1,377
	<u>\$ 140,386</u>	<u>\$ 98,316</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 4. Assets Limited as to Use or Restricted

Assets limited as to use or restricted include assets set aside by the Board of Trustees for plant replacement and expansion, recognition of memorial contributions, funding of the Medical Center's self-insured retention fund, and by agreement with others. Assets limited as to use by the Board of Trustees may, at the Board's discretion, be subsequently used for other purposes. Assets limited as to use are classified as current assets, to the extent available, to meet current liabilities.

Assets limited as to use or restricted as of June 30, 2004 and 2003 were designated as follows:

	2004	2003
Board designated for:		
Capital tax levy	\$ -	\$ 278,303
Memorial funds	16,561	16,555
Self-insured retention funds:		
Medical malpractice	2,524,350	2,605,589
Workers' compensation	616,470	548,181
Health insurance trust	2,136,401	2,572,812
Flexible benefits trust fund	-	2,062
Dental	180,122	158,741
Under terms of a capital lease obligation, debt service reserve (Note 6)	614,076	623,269
Under terms of general obligation capital loan notes:		
Unspent bond proceeds	-	1,239,591
Plant replacement and expansion	210,972	343,477
	<u>\$ 6,298,952</u>	<u>\$ 8,388,580</u>

These balances are presented in the accompanying balance sheets as summarized below:

	2004	2003
Assets limited as to use or restricted, required for current liabilities	\$ 3,908,838	\$ 3,283,553
Assets limited as to use or restricted	2,390,114	5,105,027
	<u>\$ 6,298,952</u>	<u>\$ 8,388,580</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets

Activity in capital assets and accumulated depreciation and amortization for the years ended June 30, 2004 and 2003 was as follows:

	Medical Center			
	June 30, 2003	Additions	Transfers and Disposals	June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	568,008	1,250,822	1,542,778	276,052
Total capital assets, not being depreciated	626,284	1,250,822	1,542,778	334,328
Capital assets, being depreciated:				
Land improvements	3,784,525	-	-	3,784,525
Buildings	18,051,026	-	-	18,051,026
Building equipment	17,941,407	42,786	(1,319,952)	19,304,145
Fixed equipment	456,930	549	1,620	455,859
Vans	58,415	137,628	-	196,043
Major movable equipment	14,593,595	399,394	(169,266)	15,162,255
Equipment under capital lease	1,118,973	227,532	225,664	1,120,841
Total capital assets, being depreciated	56,004,871	807,889	(1,261,934)	58,074,694
Less accumulated depreciation for:				
Land improvements	1,601,599	161,346	-	1,762,945
Buildings	10,289,637	493,678	-	10,783,315
Building equipment	11,302,245	779,711	-	12,081,956
Fixed equipment	398,613	8,625	1,620	405,618
Vans	11,020	22,118	-	33,138
Major movable equipment	9,928,723	1,316,652	52,455	11,192,920
Equipment under capital lease	1,029,286	47,735	199,064	877,957
Total accumulated depreciation	34,561,123	2,829,865	253,139	37,137,849
Total capital assets, being depreciated, net	21,443,748	(2,021,976)	(1,515,073)	20,936,845
Capital assets, net	\$ 22,070,032	\$ (771,154)	\$ 27,705	\$ 21,271,173

Capital assets as of June 30, 2004 and 2003 included costs of \$15,828,671 and \$14,753,101, respectively, related to capital leases. Accumulated amortization related to the capital leases as of June 30, 2004 and 2003 was \$9,877,834 and \$9,679,308, respectively. Commitments to complete construction in progress amounted to approximately \$81,000 as of June 30, 2004.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

	Medical Center			
	June 30, 2002	Additions	Transfers and Disposals	June 30, 2003
Capital assets, not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	580,162	792,019	804,173	568,008
Total capital assets, not being depreciated	638,438	792,019	804,173	626,284
Capital assets, being depreciated:				
Land improvements	3,786,971	-	2,446	3,784,525
Buildings	18,064,193	-	13,167	18,051,026
Building equipment	17,359,184	13,678	(568,545)	17,941,407
Fixed equipment	504,400	1,094	48,564	456,930
Vans	8,895	49,520	-	58,415
Major movable equipment	14,377,724	1,030,598	814,727	14,593,595
Equipment under capital lease	1,163,286	-	44,313	1,118,973
Total capital assets, being depreciated	55,264,653	1,094,890	354,672	56,004,871
Less accumulated depreciation for:				
Land improvements	1,433,689	169,378	1,468	1,601,599
Buildings	9,754,641	544,909	9,913	10,289,637
Building equipment	10,585,185	719,685	2,625	11,302,245
Fixed equipment	433,370	10,550	45,307	398,613
Vans	8,055	2,965	-	11,020
Major movable equipment	9,588,109	1,276,007	935,393	9,928,723
Equipment under capital lease	936,639	136,960	44,313	1,029,286
Total accumulated depreciation	32,739,688	2,860,454	1,039,019	34,561,123
Total capital assets, being depreciated, net	22,524,965	(1,765,564)	(684,347)	21,443,748
Capital assets, net	\$ 23,163,403	\$ (973,545)	\$ 119,826	\$ 22,070,032
	Foundation			
	June 30, 2003	Additions	Transfers and Disposals	June 30, 2004
Capital assets being depreciated, fixed equipment	\$ -	\$ 7,473	\$ -	\$ 7,473
Less accumulated depreciation for fixed equipment	-	700	-	700
Capital assets, net	\$ -	\$ 6,773	\$ -	\$ 6,773

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt

Long-term debt as of June 30, 2004 and 2003 consists of the following:

	2004	2003
Note payable to Polk County, Iowa, for facility plan (A)	\$ -	\$ 281,116
General obligation capital loan notes (1996) (B)	-	1,887,603
General obligation capital loan notes (1998), net of discount (C)	346,964	426,189
General obligation capital loan notes (2000), net of discount (D)	3,227,578	3,425,377
General obligation bonds (2003), net of discount (E)	1,457,936	-
Capital lease obligation, buildings (F)	3,720,000	4,160,000
Capital lease obligations, equipment (F)	214,412	30,526
	<u>8,966,890</u>	<u>10,210,811</u>
Less current maturities	<u>1,441,295</u>	<u>1,442,870</u>
	<u>\$ 7,525,595</u>	<u>\$ 8,767,941</u>

- (A) The note payable to Polk County, Iowa, for the facility plan was due in monthly installments of principal and interest, with a final payment in 2004. Interest was at a variable rate as defined in the loan agreement. The note was secured by all accounts receivable and general intangibles of the Medical Center, including all net revenue, as defined in Iowa Code Section 331.461(7), as amended, and a bank's irrevocable letter of credit.
- (B) On July 1, 1996, the Medical Center issued general obligation capital loan notes through Polk County in the principal amount of \$2,515,000 to fund expansion of the Medical Center's information systems and purchase other capital assets. The notes mature in annual installments through fiscal year 2006 and were subject to early redemption beginning in fiscal year 2004. Interest, at rates ranging from 5.00% to 5.15%, was payable semiannually. The net revenue and receivables of the Medical Center have been pledged to the payment of the notes. The 1996 capital loan notes were advance refunded in 2004, see (E) below.
- (C) On June 2, 1998, the Medical Center issued general obligation capital loan notes through Polk County in the principal amount of \$775,000 to fund renovations and improvements to the Medical Center. The notes mature in annual installments through fiscal year 2008. Interest, at rates ranging from 4.00% to 4.60%, is payable semiannually. The net revenue and receivables of the Medical Center have been pledged to the payment of the notes.
- (D) On December 1, 2000, the Medical Center issued general obligation capital loan notes through Polk County in the principal amount of \$4,200,000 to fund demolition of a building, equipment acquisitions, infrastructure improvements, and renovation and remodeling at the Medical Center. The notes mature in annual installments through fiscal year 2012. Interest, at rates ranging from 4.50% to 4.95%, is payable semiannually. The net revenue and receivables of the Medical Center have been pledged to the payment of the notes.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

- (E) On December 15, 2003, Polk County issued \$4,010,000 in General Obligation Bonds to advance refund \$1,530,000 of outstanding General Obligation Capital Notes dated July 1, 1996 and \$2,480,000 General Obligation County Purpose Bonds dated December 1, 1996. The Medical Center's portion of the refunded bonds was \$1,530,000 related to the General Obligation Capital Loan Notes dated July 1, 1996, also see (B) above. The net proceeds of the 2003 General Obligation Bonds were used to purchase U.S. government securities, those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the General Obligation Capital Notes dated July 1, 1996 and the General Obligation County Purpose Bonds dated December 1, 1996. As a result, the 1996 Capital Loan Notes are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Medical Center in fiscal year 2004. The 2003 General Obligation Bonds mature in annual installments through fiscal year 2004 and bear interest at rates ranging from 1.25% to 1.7%.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$65,800. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through 2006. The Medical Center completed the advance refunding to reduce its total debt service payments over the next 3 years by approximately \$52,000 and to obtain an economic gain (difference between the present values of old and new debt service payments) of approximately \$48,700.

- (F) The Medical Center has lease agreements related to the Sands Center and for certain equipment which are classified as capital leases. The Sands Center building lease expires in 2011 and the other leases expire at various dates through 2009.

The Medical Center was required to deposit \$610,000 in an improvement fund under the terms of the Sands Center lease agreement. This money must be used for rental payments under the lease to the extent that no other revenue is available. Any amount, however, on deposit in excess of \$305,000 not required for such payments may be borrowed from the improvement fund to pay current operating expenses of the Medical Center. The improvement fund must be replenished by the end of the fiscal year if the borrowing is made during the first quarter of a fiscal year or else by the end of the next succeeding fiscal year if the borrowing is made during the second, third or fourth quarter of a fiscal year. As of June 30, 2004, the Medical Center had no outstanding borrowings from the improvement fund. The amounts on deposit in the improvement fund are \$614,076 and \$623,269 as of June 30, 2004 and 2003, respectively.

The term of the lease agreement requires the Medical Center to comply with certain covenants. The covenants restrict the amount of debt and capital expenditures the Medical Center can incur during the year. The covenants also require the Medical Center to maintain certain financial ratios.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

Long-term debt activity as of and for the years ended June 30, 2004 and 2003 is as follows:

	June 30, 2003	Borrowings	Payments and Amortization of Discount	June 30, 2004	Amounts Due Within 1 Year
Notes payable:					
Note payable to Polk County	\$ 281,116	\$ -	\$ 281,116	\$ -	\$ -
General obligation capital loan notes (1996)	1,887,603	-	1,887,603	-	-
General obligation capital loan notes (1998)	426,189	-	79,225	346,964	80,000
General obligation capital loan notes (2000)	3,425,377	-	197,799	3,227,578	100,000
General obligation bonds (2003)	-	1,451,746	(6,190)	1,457,936	750,000
Total notes payable	6,020,285	1,451,746	2,439,553	5,032,478	930,000
Capital lease obligations:					
Equipment	30,526	227,532	43,646	214,412	46,295
Buildings	4,160,000	-	440,000	3,720,000	465,000
Total lease obligations	4,190,526	227,532	483,646	3,934,412	511,295
	\$ 10,210,811	\$ 1,679,278	\$ 2,923,199	\$ 8,966,890	\$ 1,441,295
	June 30, 2002	Borrowings	Payments and Amortization of Discount	June 30, 2003	Amounts Due Within 1 Year
Notes payable:					
Note payable to Polk County	\$ 814,753	\$ -	\$ 533,637	\$ 281,116	\$ 281,116
General obligation capital loan notes (1996)	2,010,067	-	122,464	1,887,603	415,000
General obligation capital loan notes (1998)	500,414	-	74,225	426,189	80,000
General obligation capital loan notes (2000)	3,658,176	-	232,799	3,425,377	200,000
Total notes payable	6,983,410	-	963,125	6,020,285	976,116
Capital lease obligations:					
Equipment	195,892	-	165,366	30,526	26,754
Buildings	4,580,000	-	420,000	4,160,000	440,000
Total lease obligations	4,775,892	-	585,366	4,190,526	466,754
	\$ 11,759,302	\$ -	\$ 1,548,491	\$ 10,210,811	\$ 1,442,870

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

Aggregate principal and interest maturities for the Medical Center's long-term debt, excluding the capital lease obligations, as of June 30, 2004 are as follows:

	Principal	Interest
Year ending June 30:		
2005	\$ 930,000	\$ 197,058
2006	955,000	176,117
2007	610,000	154,518
2008	530,000	126,197
2009	505,000	101,383
2010 to 2014	1,585,000	154,835
	<u>5,115,000</u>	<u>\$ 910,108</u>
Less unamortized discount	82,522	
	<u>\$ 5,032,478</u>	

The future minimum lease payments as of June 30, 2004 on the capital lease obligations are as follows:

	The Sands Center	Equipment	Total
Year ending June 30:			
2005	\$ 638,791	\$ 62,147	\$ 700,938
2006	637,401	58,295	695,696
2007	635,091	53,115	688,206
2008	636,861	52,079	688,940
2009	632,481	30,380	662,861
2010 to 2011	1,271,538	-	1,271,538
Total minimum lease payments	<u>4,452,163</u>	<u>256,016</u>	<u>4,708,179</u>
Less amounts representing interest	732,163	41,604	773,767
Present value of minimum lease payments	<u>\$ 3,720,000</u>	<u>\$ 214,412</u>	<u>\$ 3,934,412</u>

In addition, the Medical Center issued and paid \$11,161,500 and \$11,398,000 of short-term taxable public warrants during the years ended June 30, 2004 and 2003, respectively, for financing short-term cash flow needs.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 7. Retirement System

The Medical Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Medical Center is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The Medical Center's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 was \$1,921,535, \$1,893,719, and \$1,839,893, respectively, equal to the required contributions for each year.

Note 8. Risk Management, Self-Insurance and Commitments

Broadlawns Medical Center is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks, except those self-insured by the Medical Center, are covered by the purchase of commercial insurance. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self-Insurance:

The Medical Center self-insures its professional liability with annual limits of \$250,000 per claim and \$750,000 in aggregate. Thereafter, excess liability insurance coverage is maintained on a claims-made basis, with an annual aggregate liability limit of \$25,000,000. The Medical Center also self-insures workers' compensation, with limits of \$200,000 per claim and \$5,000,000 aggregate limit for a two-year period. The Medical Center is self-insured for dental insurance with a limit of \$1,000 per covered person per year, and is self-insured for employee health expenses with limits of \$150,000 per covered person per year and \$1,000,000 during such person's lifetime. The Medical Center has insurance coverage for general liability and automobile liability, with aggregate limits of \$2,000,000 and \$1,000,000, respectively.

The Medical Center has a revocable trust for each self-insurance plan for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreements, the trust assets can only be used for payment of professional liability losses, related expenses, and the cost of administering the trust. Income earned on trust fund assets (primarily U.S. treasury securities and money market funds invested in government securities) is included in nonoperating revenue. In addition, the Medical Center has a letter of credit agreement with a financial institution, which allows for draws of up to approximately \$738,000 through April 2005, which can also be used for payment of losses. There were no borrowings on the letter of credit as of June 30, 2004.

The annual provision for professional liability losses and expenses included in the accompanying statement of revenue, expenses, and changes in net assets is based on the actuarially determined estimate of the present value of liabilities and related expenses resulting from asserted and unasserted incidents, discounted at 4% in 2004 and 5% in 2003.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 8. Risk Management, Self-Insurance and Commitments (Continued)

The Medical Center has accrued liabilities of \$3,492,527 and \$4,865,769 for self-insured losses as of June 30, 2004 and 2003, respectively. These accrued liabilities are based on management's evaluation of the merits of various claims, historical experience, and consultation with external insurance consultants and include estimates for incurred but not reported claims. Losses estimated to be settled within one year have been classified as current liabilities.

	June 30, 2003	Additions	Reductions	June 30, 2004	Amounts Due Within 1 Year
Malpractice insurance	\$ 1,466,019	\$ 641,253	\$ 184,765	\$ 1,922,507	\$ 294,994
Workers compensation insurance	717,724	183,282	201,006	700,000	268,802
Dental insurance	126,249	337,036	313,399	149,886	149,886
Flex benefits plan	1,537	-	1,537	-	-
Health insurance	2,554,240	2,766,737	4,600,843	720,134	720,134
Total	\$ 4,865,769	\$ 3,928,308	\$ 5,301,550	\$ 3,492,527	\$ 1,433,816

	June 30, 2002	Additions	Reductions	June 30, 2003	Amounts Due Within 1 Year
Malpractice insurance	\$ 1,699,047	\$ 187,572	\$ 420,600	\$ 1,466,019	\$ 422,301
Workers compensation insurance	242,292	846,952	371,520	717,724	356,891
Dental insurance	129,091	318,920	321,762	126,249	126,249
Flex benefits plan	45,311	-	43,774	1,537	1,537
Health insurance	1,082,276	5,404,365	3,932,401	2,554,240	2,554,240
Total	\$ 3,198,017	\$ 6,757,809	\$ 5,090,057	\$ 4,865,769	\$ 3,461,218

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 8. Risk Management, Self-Insurance and Commitments (Continued)

Lease commitments:

The Medical Center leases computer hardware and software equipment and real estate under operating agreements which expire through 2011. Rental expense under those agreements was approximately \$590,544 and \$399,472 for the years ended June 30, 2004 and 2003, respectively. The schedule of minimum rental payments due under these agreements are as follows:

	Equipment	Real Estate
Year ending June 30:		
2005	\$ 156,562	\$ 423,967
2006	70,626	367,274
2007	-	287,286
2008	-	316,056
2009	-	316,056
2010 to 2011	-	632,112
	<u>\$ 227,188</u>	<u>\$ 2,342,751</u>

In connection with the computer leases, the Medical Center has data processing service agreements which expire through 2005. Total service expense under these agreements was \$1,162,211 and \$1,183,730 for the years ended June 30, 2004 and 2003, respectively. The agreements require monthly payments, which were subject to adjustment monthly based upon actual usage.

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Medical Center is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Medical Center's financial position.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 9. Budget and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings for all funds. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The budgetary basis is non-GAAP basis adjusted for depreciation and amortization, equipment improvements, lease payments, and restricted expenses.

The following is a comparison of actual expenses to budget for the year ended June 30, 2004:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget
\$ 73,942,616	\$ 495,693	\$ 74,438,309	\$ 76,686,019

Note 10. Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements or who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The mix of receivables from patients and third-party payors as of June 30, 2004 and 2003 was as follows:

	2004	2003
Medicare	7%	5%
PCHS	8	6
Disability	18	17
Medicaid	9	14
Private pay	29	15
Title XIX pending	10	20
Other	19	23
Total	100%	100%

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 11. New Government Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Medical Center adopted Statement No. 39, *Determining Whether Certain Organizations are Component Units* during the year ended June 30, 2004. The adoption of this Statement required the Medical Center to include the Broadlawns Medical Center Foundation as a discretely presented component unit as of June 30, 2004 and 2003.

The GASB has also issued several statements not yet implemented by the Medical Center. The Statements which might impact the Medical Center and Foundation (collectively the Organization) are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2003, will be effective for the Organization beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the Organization beginning with its year ending June 30, 2006. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of this Statement will be effective starting with the Organization's year ending June 30, 2008.

GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the Organization beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits, expenses and related liabilities or assets, note disclosures and if applicable, required supplementary information in the financial reports.

The Organization's management has not yet determined the effect these Statements will have on the Organization's financial statements.

Broadlawns Medical Center

Balance Sheet, by Department June 30, 2004

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Assets					
Current Assets:					
Cash and cash equivalents	\$ 2,011,532	\$ 101,092	\$ 319,001	\$ -	\$ 2,431,625
Assets limited as to use or restricted, required for current liabilities	3,908,838	-	-	-	3,908,838
Receivables:					
Patients, net	9,806,851	78,651	1,674	-	9,887,176
Property taxes	395,801	-	-	-	395,801
Succeeding year property taxes	42,311,359	-	-	-	42,311,359
Federal grants	220,953	-	-	-	220,953
Nonfederal grants	177,861	-	-	-	177,861
Other	344,768	-	-	230,408 (1)	114,360
Due from third-party payors	1,038,869	52,509	-	-	1,091,378
Inventories	384,089	-	-	-	384,089
Prepaid expenses and other assets	617,295	-	-	-	617,295
Total current assets	61,218,216	232,252	320,675	230,408	61,540,735
Noncurrent Assets:					
Assets Limited as to Use or Restricted:					
Cash and cash equivalents	580,092	-	-	-	580,092
Investments	1,716,898	-	-	-	1,716,898
Funds on deposit	93,124	-	-	-	93,124
	2,390,114	-	-	-	2,390,114
Capital Assets, net	21,020,330	3,976	246,867	-	21,271,173
Other Assets	320,349	-	-	-	320,349
Total noncurrent assets	23,730,793	3,976	246,867	-	23,981,636
	\$ 84,949,009	\$ 236,228	\$ 567,542	\$ 230,408	\$ 85,522,371

(1) To eliminate intercompany receivables and payables.

Liabilities and Net Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Liabilities:					
Current maturities of long-term debt	\$ 930,000	\$ -	\$ -	\$ -	\$ 930,000
Current maturities of capital lease obligations	511,295	-	-	-	511,295
Accounts payable and other accrued expenses	2,477,380	65,433	144,524	125,240 (1)	2,562,097
Accrued employee compensation and payroll taxes	3,689,586	46,767	58,401	105,168 (1)	3,689,586
Current portion of accrued claims on self-insurance	1,433,816	-	-	-	1,433,816
Deferred revenue for succeeding year property taxes	42,311,359	-	-	-	42,311,359
Total current liabilities	51,353,436	112,200	202,925	230,408	51,438,153
Noncurrent liabilities:					
Accrued claims on self-insurance, less current portion	2,058,711	-	-	-	2,058,711
Long-term debt, less current maturities	4,102,478	-	-	-	4,102,478
Long-term capital lease obligations, less current maturities	3,423,117	-	-	-	3,423,117
Total noncurrent liabilities	9,584,306	-	-	-	9,584,306
Total liabilities	60,937,742	112,200	202,925	230,408	61,022,459
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	12,373,789	3,976	246,867	-	12,624,632
Restricted:					
For debt service	614,076	-	-	-	614,076
For capital acquisitions	559,752	-	-	-	559,752
For specific activities	74,580	5,954	-	-	80,534
Unrestricted	10,389,070	114,098	117,750	-	10,620,918
Total net assets	24,011,267	124,028	364,617	-	24,499,912
\$ 84,949,009	\$ 236,228	\$ 567,542	\$ 230,408	\$ 85,522,371	

Broadlawns Medical Center

Balance Sheet, by Department

June 30, 2003

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Assets					
Current Assets:					
Cash and cash equivalents	\$ 1,651,081	\$ 179,458	\$ 463,285	\$ -	\$ 2,293,824
Assets limited as to use or restricted, required for current liabilities	3,283,553	-	-	-	3,283,553
Receivables:					
Patients, net	10,317,430	160,073	-	-	10,477,503
Property taxes	408,876	-	-	-	408,876
Succeeding year property taxes	39,189,683	-	-	-	39,189,683
Federal grants	343,652	-	-	-	343,652
Nonfederal grants	46,603	-	-	-	46,603
Other	823,431	-	-	424,509 (1)	398,922
Due from third-party payors	60,228	86,140	-	-	146,368
Inventories	395,625	-	-	-	395,625
Prepaid expenses and other assets	407,888	-	-	-	407,888
Total current assets	56,928,050	425,671	463,285	424,509	57,392,497
Noncurrent Assets:					
Assets Limited as to Use or Restricted:					
Cash and cash equivalents	2,646,934	-	-	-	2,646,934
Investments	2,428,434	-	-	-	2,428,434
Funds on deposit	29,659	-	-	-	29,659
	5,105,027	-	-	-	5,105,027
Capital Assets, net	21,921,587	15,573	132,872	-	22,070,032
Other Assets	271,682	-	-	-	271,682
Total noncurrent assets	27,298,296	15,573	132,872	-	27,446,741
	\$ 84,226,346	\$ 441,244	\$ 596,157	\$ 424,509	\$ 84,839,238

(1) To eliminate intercompany receivables and payables.

Liabilities and Net Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Liabilities:					
Current maturities of long-term debt	\$ 976,116	\$ -	\$ -	\$ -	\$ 976,116
Current maturities of capital lease obligations	466,754	-	-	-	466,754
Accounts payable and other accrued expenses	3,049,912	285,200	152,814	347,155 (1)	3,140,771
Accrued employee compensation and payroll taxes	4,858,131	37,539	39,815	77,354 (1)	4,858,131
Current portion of accrued claims on self-insurance	3,461,218	-	-	-	3,461,218
Deferred revenue for succeeding year property taxes	39,189,683	-	-	-	39,189,683
Total current liabilities	52,001,814	322,739	192,629	424,509	52,092,673
Noncurrent liabilities:					
Accrued claims on self-insurance, less current portion	1,404,551	-	-	-	1,404,551
Long-term debt, less current maturities	5,044,169	-	-	-	5,044,169
Long-term capital lease obligations, less current maturities	3,723,772	-	-	-	3,723,772
Total noncurrent liabilities	10,172,492	-	-	-	10,172,492
Total liabilities	62,174,306	322,739	192,629	424,509	62,265,165
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	12,981,996	15,573	132,872	-	13,130,441
Restricted:					
For debt service	623,269	-	-	-	623,269
For capital acquisitions	2,213,739	-	-	-	2,213,739
For specific activities	76,162	8,618	-	-	84,780
Unrestricted	6,156,874	94,314	270,656	-	6,521,844
Total net assets	22,052,040	118,505	403,528	-	22,574,073
\$ 84,226,346	\$ 441,244	\$ 596,157	\$ 424,509	\$ 84,839,238	

Broadlawns Medical Center

Statements of Revenue, Expenses, and Changes in Net Assets, by Department Year Ended June 30, 2004

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 28,795,445	\$ 1,019,691	\$ 1,102,873	\$ -	\$ 30,918,009
Contracts	1,326,137	-	-	-	1,326,137
Operating grants	1,568,681	-	-	-	1,568,681
Other	2,226,062	-	-	18,877 (1)	2,207,185
Total operating revenue	33,916,325	1,019,691	1,102,873	18,877	36,020,012
Operating expenses:					
Salaries and wages	34,514,628	642,255	519,704	-	35,676,587
Employee benefits	6,828,741	171,200	110,387	-	7,110,328
Physician fees and outside services	3,379,448	-	-	-	3,379,448
Supplies and other expenses	23,671,544	194,857	475,555	18,877 (1)	24,323,079
Depreciation and amortization	2,841,001	11,598	37,058	-	2,889,657
Total operating expenses	71,235,362	1,019,910	1,142,704	18,877	73,379,099
Operating (loss)	(37,319,037)	(219)	(39,831)	-	(37,359,087)
Nonoperating revenue (expense):					
Property taxes	39,318,842	-	-	-	39,318,842
State appropriations	312,000	-	-	-	312,000
Noncapital grants and contributions	8,995	-	25	-	9,020
Investment earnings	79,260	219	895	13,787 (1)	66,587
Interest expense	(577,304)	-	-	(13,787) (1)	(563,517)
Capital grants and contributions	99,997	-	-	-	99,997
Other, net	36,474	5,523	-	-	41,997
Total nonoperating revenue (expense), net	39,278,264	5,742	920	-	39,284,926
Change in net assets	1,959,227	5,523	(38,911)	-	1,925,839
Net assets:					
Beginning	22,052,040	118,505	403,528	-	22,574,073
Ending	\$ 24,011,267	\$ 124,028	\$ 364,617	\$ -	\$ 24,499,912

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

Statements of Revenue, Expenses, and Changes in Net Assets, by Department Year Ended June 30, 2003

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 27,476,025	\$ 869,606	\$ 1,033,562	\$ -	\$ 29,379,193
Contracts	1,776,643	-	-	-	1,776,643
Operating grants	1,772,706	-	-	-	1,772,706
Other	2,248,981	-	-	18,877 (1)	2,230,104
Total operating revenue	33,274,355	869,606	1,033,562	18,877	35,158,646
Operating expenses:					
Salaries and wages	33,971,883	633,250	456,410	-	35,061,543
Employee benefits	9,786,714	176,482	109,623	-	10,072,819
Physician fees and outside services	3,444,984	-	-	-	3,444,984
Supplies and other expenses	21,422,884	189,696	401,762	18,877 (1)	21,995,465
Depreciation and amortization	2,898,182	12,643	12,711	-	2,923,536
Total operating expenses	71,524,647	1,012,071	980,506	18,877	73,498,347
Operating income (loss)	(38,250,292)	(142,465)	53,056	-	(38,339,701)
Nonoperating revenue (expense):					
Property taxes	36,544,212	-	-	-	36,544,212
State appropriations	312,198	-	-	-	312,198
Noncapital grants and contributions	21,774	-	-	-	21,774
Investment earnings	171,400	1,112	6,569	4,121 (1)	174,960
Interest expense	(635,819)	(93)	-	(4,121) (1)	(631,791)
Capital grants and contributions	42,746	-	-	-	42,746
Other, net	(38,919)	-	-	-	(38,919)
Total nonoperating revenue (expense), net	36,417,592	1,019	6,569	-	36,425,180
Change in net assets	(1,832,700)	(141,446)	59,625	-	(1,914,521)
Net assets:					
Beginning	23,884,740	259,951	343,903	-	24,488,594
Ending	<u>\$ 22,052,040</u>	<u>\$ 118,505</u>	<u>\$ 403,528</u>	<u>\$ -</u>	<u>\$ 22,574,073</u>

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

**Analysis of Net Patient Receivables
June 30, 2004 and 2003**

	2004		2003	
	Amounts	Percent to Total	Amounts	Percent to Total
0 - 30 (in-house and unbilled)	\$ 3,792,450	22%	\$ 3,041,460	18%
31 - 60	2,733,677	16	2,591,055	15
61 - 90	2,320,349	13	1,905,538	11
91 - 120	1,319,413	8	1,624,546	9
121 - 150	831,860	5	1,222,770	7
151 - 180	762,294	4	1,161,985	7
181 - 270	1,400,699	8	2,953,466	17
271 - 360	1,340,090	8	1,365,585	8
361 - 999	2,682,598	16	1,458,408	8
	<u>17,183,430</u>	<u>100%</u>	<u>17,324,813</u>	<u>100%</u>
Unapplied periodic interim payments	42,874		276,687	
Allowance for doubtful accounts	3,207,185		2,432,000	
Allowance for charity care	3,080,000		3,438,000	
Allowance for contractual and other adjustments	966,195		700,623	
	<u>\$ 9,887,176</u>		<u>\$ 10,477,503</u>	
Medicare	\$ 674,922	7%	\$ 558,886	5%
PCHS	825,316	8	669,481	6
Disability	1,799,041	18	1,824,609	17
Medicaid	868,070	9	1,475,294	14
Private pay	2,837,651	29	1,512,973	15
Title XIX pending	967,829	10	2,062,972	20
Other	1,914,347	19	2,373,288	23
Total	<u>\$ 9,887,176</u>	<u>100%</u>	<u>\$ 10,477,503</u>	<u>100%</u>

Broadlawns Medical Center

Inventories

June 30, 2004 and 2003

	2004	2003
General stores	\$ 180,644	\$ 177,910
Pharmacy	203,445	217,715
	<u>\$ 384,089</u>	<u>\$ 395,625</u>

Broadlawns Medical Center

Changes in Capital Assets and Accumulated Depreciation and Amortization Year Ended June 30, 2004

	Capital Assets			
	June 30, 2003	Additions	Transfers and Disposals	June 30, 2004
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	3,513,049	-	-	3,513,049
Buildings	11,090,925	-	-	11,090,925
Building equipment	12,526,951	42,786	246,250	12,815,987
Fixed equipment	456,930	549	(1,620)	455,859
Major movable equipment	13,450,745	385,968	169,266	14,005,979
Equipment under capital lease	1,064,414	227,532	(225,664)	1,066,282
Construction in progress	568,008	1,250,822	(1,542,778)	276,052
	42,709,232	1,907,657	(1,354,546)	43,262,343
Mental health facility under capital lease:				
Land	20,066	-	-	20,066
Land improvements	271,476	-	-	271,476
Buildings	6,960,101	-	-	6,960,101
Building equipment	5,395,340	-	1,073,702	6,469,042
Major movable equipment	987,145	-	-	987,145
	13,634,128	-	1,073,702	14,707,830
Total Medical Center	56,343,360	1,907,657	(280,844)	57,970,173
Residential facilities:				
Building equipment	18,181	-	-	18,181
Major moveable equipment	48,355	-	-	48,355
Equipment under capital lease	54,559	-	-	54,559
Total residential facilities	121,095	-	-	121,095
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	58,415	137,628	-	196,043
Major moveable equipment	107,350	13,426	-	120,776
Total PATH	166,700	151,054	-	317,754
	\$ 56,631,155	\$ 2,058,711	\$ (280,844)	\$ 58,409,022

Accumulated Depreciation and Amortization

June 30, 2003	Current Provision	Deductions	June 30, 2004
\$ -	\$ -	\$ -	\$ -
1,336,388	160,382	-	1,496,770
7,030,474	318,303	-	7,348,777
7,147,079	605,748	-	7,752,827
398,613	8,625	(1,620)	405,618
8,878,240	1,296,791	(52,455)	10,122,576
980,958	41,505	(199,064)	823,399
-	-	-	-
25,771,752	2,431,354	(253,139)	27,949,967
-	-	-	-
265,211	964	-	266,175
3,259,163	175,375	-	3,434,538
4,138,503	173,515	-	4,312,018
987,145	-	-	987,145
8,650,022	349,854	-	8,999,876
34,421,774	2,781,208	(253,139)	36,949,843
16,663	261	-	16,924
40,529	5,108	-	45,637
48,328	6,230	-	54,558
105,520	11,599	-	117,119
-	187	-	187
11,020	22,118	-	33,138
22,809	14,753	-	37,562
33,829	37,058	-	70,887
\$ 34,561,123	\$ 2,829,865	\$ (253,139)	\$ 37,137,849

Broadlawns Medical Center

Changes in Capital Assets and Accumulated Depreciation and Amortization Year Ended June 30, 2003

	Capital Assets			
	June 30, 2002	Additions	Transfers and Disposals	June 30, 2003
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	3,515,495	-	2,446	3,513,049
Buildings	11,104,092	-	13,167	11,090,925
Building equipment	11,944,728	13,678	(568,545)	12,526,951
Fixed equipment	504,400	1,094	48,564	456,930
Major movable equipment	13,254,551	1,010,921	814,727	13,450,745
Equipment under capital lease	1,108,727	-	44,313	1,064,414
Construction in progress	580,162	792,019	804,173	568,008
	<u>42,050,365</u>	<u>1,817,712</u>	<u>1,158,845</u>	<u>42,709,232</u>
Mental health facility under capital lease:				
Land	20,066	-	-	20,066
Land improvements	271,476	-	-	271,476
Buildings	6,960,101	-	-	6,960,101
Building equipment	5,395,340	-	-	5,395,340
Major movable equipment	987,145	-	-	987,145
	<u>13,634,128</u>	<u>-</u>	<u>-</u>	<u>13,634,128</u>
Total Medical Center	<u>55,684,493</u>	<u>1,817,712</u>	<u>1,158,845</u>	<u>56,343,360</u>
Residential facilities:				
Building equipment	18,181	-	-	18,181
Major moveable equipment	48,355	-	-	48,355
Equipment under capital lease	54,559	-	-	54,559
Total residential facilities	<u>121,095</u>	<u>-</u>	<u>-</u>	<u>121,095</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	8,895	49,520	-	58,415
Major moveable equipment	87,673	19,677	-	107,350
Total PATH	<u>97,503</u>	<u>69,197</u>	<u>-</u>	<u>166,700</u>
	<u>\$ 55,903,091</u>	<u>\$ 1,886,909</u>	<u>\$ 1,158,845</u>	<u>\$ 56,631,155</u>

Accumulated Depreciation and Amortization				
June 30, 2002	Current Provision	Deductions	June 30, 2003	
\$ -	\$ -	\$ -	\$ -	
1,169,442	168,414	(1,468)	1,336,388	
6,670,854	369,533	(9,913)	7,030,474	
6,570,462	579,242	(2,625)	7,147,079	
433,370	10,550	(45,307)	398,613	
8,552,497	1,261,136	(935,393)	8,878,240	
895,568	129,703	(44,313)	980,958	
-	-	-	-	
24,292,193	2,518,578	1,039,019	25,771,752	
-	-	-	-	
264,247	964	-	265,211	
3,083,787	175,376	-	3,259,163	
3,998,318	140,185	-	4,138,503	
987,145	-	-	987,145	
8,333,497	316,525	-	8,650,022	
32,625,690	2,835,103	1,039,019	34,421,774	
16,405	258	-	16,663	
35,404	5,125	-	40,529	
41,071	7,257	-	48,328	
92,880	12,640	-	105,520	
-	-	-	-	
8,055	2,965	-	11,020	
13,063	9,746	-	22,809	
21,118	12,711	-	33,829	
\$ 32,739,688	\$ 2,860,454	\$ 1,039,019	\$ 34,561,123	

Broadlawns Medical Center

Patient Service Revenue

Years Ended June 30, 2004 and 2003

	2004		
	Totals	Inpatients	Outpatients
Daily patient services:			
Medical, surgical, and pediatric	\$ 6,709,831	\$ 6,295,862	\$ 413,969
Mental health	5,246,364	5,092,982	153,382
Intensive care	2,227,797	2,227,797	-
Family birthing center	1,797,556	1,756,363	41,193
Residential facilities	1,019,691	1,019,691	-
	<u>17,001,239</u>	<u>16,392,695</u>	<u>608,544</u>
Other nursing services:			
Operating rooms	6,522,319	2,050,341	4,471,978
Medical and surgical supplies	1,065,930	654,778	411,152
Ambulatory care services:			
Specialty Clinic	3,238,344	770,982	2,467,362
Emergency	8,475,639	1,896,188	6,579,451
Family health center	1,659,820	13,335	1,646,485
Primary care	148	62	86
Doctors Health Clinic	830,982	1,971	829,011
Walk-in Clinic	1,631,484	4,246	1,627,238
Dental clinics	1,034,973	5,608	1,029,365
Primary care, dental	-	-	-
Chemical dependency	487,301	108,546	378,755
Family Planning	293,818	(237)	294,055
Mental health	7,964,575	2,184,531	5,780,044
PATH	1,102,873	-	1,102,873
	<u>34,308,206</u>	<u>7,690,351</u>	<u>26,617,855</u>
Other professional services:			
Laboratory	8,305,152	3,426,875	4,878,277
Pharmacy	9,286,419	2,226,464	7,059,955
Radiology	8,310,259	1,744,000	6,566,259
Anesthesiology	2,708,144	1,172,868	1,535,276
Respiratory therapy	2,562,437	2,217,407	345,030
Diagnostic services	823,457	223,258	600,199
Physical therapy	780,293	65,977	714,316
Speech and hearing therapy	254,453	22,057	232,396
	<u>33,030,614</u>	<u>11,098,906</u>	<u>21,931,708</u>
Gross charges at established rates	<u>84,340,059</u>	<u>\$ 35,181,952</u>	<u>\$ 49,158,107</u>
Charity care charges forgone, based on established rates	<u>27,285,255</u>		
Total gross patient service revenue	<u>57,054,804</u>		
Provisions for contractual and other adjustments	14,021,784		
Provisions for bad debts	12,115,011		
Total net patient services revenue	<u>\$ 30,918,009</u>		

2003					
Totals		Inpatients		Outpatients	
\$	6,054,408	\$	5,845,423	\$	208,985
	4,391,764		4,298,592		93,172
	2,540,786		2,540,786		-
	2,480,041		2,433,636		46,405
	869,606		869,606		-
	16,336,605		15,988,043		348,562
	5,539,001		2,162,161		3,376,840
	637,827		377,086		260,741
	2,453,651		108,444		2,345,207
	7,486,386		2,000,000		5,486,386
	1,464,488		14,857		1,449,631
	580,909		10,588		570,321
	541,357		820		540,537
	1,099,015		2,491		1,096,524
	712,742		3,661		709,081
	54,394		419		53,975
	584,091		132,456		451,635
	243,210		-		243,210
	6,567,074		1,862,039		4,705,035
	1,033,562		-		1,033,562
	28,997,707		6,675,022		22,322,685
	8,323,127		3,763,544		4,559,583
	7,675,666		2,399,115		5,276,551
	8,133,782		1,884,711		6,249,071
	2,349,097		1,248,562		1,100,535
	2,545,843		2,263,659		282,184
	778,292		246,759		531,533
	753,352		67,846		685,506
	307,443		15,652		291,791
	30,866,602		11,889,848		18,976,754
	76,200,914	\$	34,552,913	\$	41,648,001
	25,196,794				
	51,004,120				
	10,548,305				
	11,076,622				
\$	29,379,193				

Broadlawns Medical Center

**Provisions for Contractual and Other Adjustments
Years Ended June 30, 2004 and 2003**

	2004	2003
Employee discounts	\$ 104,630	\$ 145,030
Contractual adjustments under third-party reimbursement programs:		
Medicare	1,131,287	662,090
Medicaid	5,700,813	3,912,149
Magellan	2,020,441	1,626,745
Heritage	241,676	672,552
Wellmark	444,745	401,083
PCHS	1,065,655	811,238
United Healthcare	436,051	271,127
Other	2,876,486	2,046,291
	<u>\$ 14,021,784</u>	<u>\$ 10,548,305</u>

Broadlawns Medical Center

Other Operating Revenue

Years Ended June 30, 2004 and 2003

	2004	2003
Grants:		
Broadlawns Medical Center:		
Family Planning, Iowa State Department of Public Health	\$ 65,014	\$ 79,084
Women, Infants, and Children Program, State of Iowa	1,023,295	926,049
WIC Breast Pump Program	24,409	-
Bioterrorism grant	14,726	-
Homeless mental health grant	126,422	-
Farmers Market Nutrition Program, State of Iowa (IDALS)	5,649	6,094
Homeless Psych (PATH), PCHS	5,577	102,938
Homeless Psych ESG, City of Des Moines	1,797	3,341
Pharmacy CAP grant, Mercy Foundation	68,614	23,724
Healthy Start	-	24,750
Merit/Magellan, Iowa Plan, Iowa State Department of Public Health	211,485	226,600
Magellan, Meth Funds (Iowa Plan)	21,693	21,693
FEMA Emergency Food & Shelter, United Way	-	2,467
Primary Health Care:		
Pregnant Women Project, State of Iowa	-	18,750
O/P EIS with Respect to HIV Disease	-	113,569
Community Health Center	-	157,908
HUD/SHP Enhancement Project	-	54,135
HUD/SHP Homeless Helpline	-	8,679
I4 Project, Immunizations	-	2,925
Total grants	1,568,681	1,772,706
Contracts:		
Polk County Health Services:		
Day Treatment	-	40,000
Y Shelter, Community Counselors	189,212	380,867
Community Access Program, Case Management	545,230	675,706
PCHS	257,625	254,068
Other:		
HOPES/Healthy Families, State of Iowa	-	11,177
Family Planning Iowa Empowerment, ISDPH	16,000	16,000
Medical and Dental Education, University of Iowa	315,070	323,655
Focus Summer Program, Polk County Community Betterment	3,000	7,000
Health Polk 2010, Polk Co. Health Department	-	4,800
Chemical Dependency Programs, Iowa Department of Correctional Services, OWI	-	63,370
Total contracts	1,326,137	1,776,643
Other:		
Family Practice Program, Iowa Methodist Medical Center	93,600	100,986
Contribution of medical supplies	761,731	689,059
Cafeteria	599,741	707,346
Refunds and rebates	112,212	66,827
Sales and supplies, services, and salvage	456,225	470,892
Purchase discounts	72,227	48,948
Consulting, behavioral health	47,390	77,156
Des Moines Consortium contribution	60,000	60,000
Miscellaneous	4,059	8,890
Total other	2,207,185	2,230,104
Total other operating revenue	\$ 5,102,003	\$ 5,779,453

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2004 and 2003

	2004			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Nursing and medical services:				
Nursing administration and education	\$ 645,234	\$ -	\$ 200,352	\$ 845,586
Medical, surgical, and pediatric	1,917,226	56,679	316,962	2,290,867
Mental health administration	430,266	-	264	430,530
Mental health	1,693,076	-	15,952	1,709,028
Intensive care	686,516	-	208,012	894,528
Family birthing center	810,333	6,600	63,845	880,778
Operating rooms	935,285	878	265,554	1,201,717
Central services	238,282	-	556,641	794,923
Specialty clinics	1,128,730	287,038	499,948	1,915,716
Emergency services	3,469,152	875	263,843	3,733,870
Family health center	453,420	-	114,597	568,017
Primary care	-	-	-	-
Doctors Health Clinic	886,117	12,399	24,902	923,418
Walk-in Clinic	653,509	-	25,806	679,315
Homeless outreach	-	-	-	-
Dental clinic	441,372	19,054	85,379	545,805
Primary care, dental	-	-	-	-
Chemical dependency	218,933	-	115,624	334,557
Mental health, clinical services	3,416,799	70,318	203,211	3,690,328
Residential facilities	102,194	-	10,132	112,326
PATH	-	-	328,368	328,368
Total nursing and medical services	\$ 18,126,444	\$ 453,841	\$ 3,299,392	\$ 21,879,677

2003

Salaries and Wages		Physician Fees and Outside Services		Supplies and Other		Total
\$	629,247	\$	-	\$	179,648	\$ 808,895
	1,896,183		169,120		336,808	2,402,111
	414,294		-		2,798	417,092
	1,576,522		-		20,237	1,596,759
	677,204		-		196,788	873,992
	784,059		19,150		78,589	881,798
	845,417		125,660		232,649	1,203,726
	233,296		-		464,351	697,647
	1,223,716		309,647		553,854	2,087,217
	2,902,992		158,478		242,417	3,303,887
	413,220		-		159,644	572,864
	338,824		15,523		15,085	369,432
	701,718		17,408		17,132	736,258
	563,988		4,685		25,042	593,715
	64		-		-	64
	264,450		3,863		60,679	328,992
	34,986		-		8,822	43,808
	323,226		-		122,268	445,494
	3,173,601		91,190		181,893	3,446,684
	104,474		-		8,777	113,251
	-		-		274,074	274,074
\$	17,101,481	\$	914,724	\$	3,181,555	\$ 21,197,760

(Continued)

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2004 and 2003**

	2004			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Other professional services:				
Laboratory	\$ 1,034,165	\$ 172,874	\$ 1,094,432	\$ 2,301,471
Pharmacy	1,231,669	-	6,140,535	7,372,204
Radiology	699,396	779,394	838,419	2,317,209
Anesthesiology	329,525	255,547	61,036	646,108
Respiratory therapy	372,083	9,075	89,747	470,905
Diagnostic services	143,752	42,795	18,439	204,986
Physical therapy	201,947	-	9,480	211,427
Medical information management	1,162,170	-	130,418	1,292,588
Social services	183,590	-	11,043	194,633
Registration	1,225,875	-	338,266	1,564,141
Women, Infants, and Children Program	564,749	-	147,013	711,762
Special services	-	-	940	940
Medical education	1,770,787	1,626,573	437,974	3,835,334
Library	54,043	-	59,379	113,422
Medical services	1,004,657	39,349	206,332	1,250,338
Family planning	92,629	-	13,410	106,039
Managed care	152,119	-	2,081	154,200
Bureau of Refugee Services	118,763	-	12,423	131,186
Speech and hearing	3,206	-	81,813	85,019
Residential facilities	451,509	-	57,088	508,597
PATH	441,206	-	-	441,206
Total other professional services	11,237,840	2,925,607	9,750,268	23,913,715
General services:				
Dietary	-	-	1,704,704	1,704,704
Facility management	189,065	-	32,860	221,925
Plant operations	869,894	-	2,072,151	2,942,045
Environmental services	888,749	-	466,142	1,354,891
Laundry and linen	57,684	-	176	57,860
Risk management	223,367	-	24,030	247,397
Security	312,134	-	11,456	323,590
Residential facilities	-	-	49,299	49,299
PATH	-	-	9,716	9,716
Total general services	\$ 2,540,893	\$ -	\$ 4,370,534	\$ 6,911,427

2003

Salaries and Wages		Physician Fees and Outside Services		Supplies and Other		Total
\$	1,002,873	\$	170,235	\$	1,154,863	\$ 2,327,971
	1,214,294		-		5,078,095	6,292,389
	618,360		556,050		874,288	2,048,698
	329,816		290,732		61,654	682,202
	427,510		9,075		84,432	521,017
	122,386		45,575		12,740	180,701
	211,627		-		14,053	225,680
	1,103,930		-		151,356	1,255,286
	180,180		-		9,048	189,228
	1,278,053		-		347,163	1,625,216
	576,241		-		105,159	681,400
	-		-		189	189
	1,900,568		1,423,504		349,016	3,673,088
	51,195		-		52,135	103,330
	693,472		35,089		223,195	951,756
	91,305		-		16,665	107,970
	299,071		-		1,541	300,612
	118,557		-		8,384	126,941
	3,029		-		97,268	100,297
	449,325		-		47,839	497,164
	380,468		-		-	380,468
	11,052,260		2,530,260		8,689,083	22,271,603
	-		-		1,876,871	1,876,871
	179,747		-		67,803	247,550
	938,651		-		1,454,838	2,393,489
	934,012		-		231,196	1,165,208
	56,077		-		198,988	255,065
	201,665		-		32,790	234,455
	299,742		-		12,995	312,737
	-		-		53,854	53,854
	-		-		12,299	12,299
\$	2,609,894	\$	-	\$	3,941,634	\$ 6,551,528

(Continued)

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2004 and 2003**

	2004			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Fiscal and administrative services and unassigned expenses:				
Fiscal and administrative services:				
Administration	\$ 377,093	\$ -	\$ 461,355	\$ 838,448
Nonpatient bad debt	-	-	322,560	322,560
Accounting	626,630	-	119,954	746,584
Payroll	81,143	-	3,083	84,226
Information services	564,185	-	1,512,597	2,076,782
Patient accounting	790,661	-	718,427	1,509,088
Patient advocate	102,944	-	3,128	106,072
Telecommunication	151,951	-	195,865	347,816
Planning	319,805	-	128,025	447,830
Organizational effectiveness	9,196	-	-	9,196
Print shop	32,695	-	238,193	270,888
Purchasing, receiving, and stores	169,407	-	43,824	213,231
Human resources	268,409	-	169,049	437,458
Occupational health	110,241	-	53,309	163,550
Residential facilities	88,552	-	40,292	128,844
PATH	78,498	-	60,926	139,424
Total fiscal and administrative services	3,771,410	-	4,070,587	7,841,997
Unassigned expenses:				
Employee benefits:				
Iowa Public Employees Retirement System (IPERS)	-	-	1,858,052	1,858,052
FICA	-	-	2,388,132	2,388,132
Health insurance	-	-	1,894,460	1,894,460
Life insurance	-	-	280,452	280,452
Unemployment compensation	-	-	102,164	102,164
Workers' compensation	-	-	249,771	249,771
Other benefits	-	-	55,710	55,710
Insurance	-	-	2,413,115	2,413,115
Medical Center dues	-	-	167,339	167,339
Consulting fees	-	-	156,130	156,130
Total unassigned expenses	-	-	9,565,325	9,565,325
Depreciation and amortization	\$ -	\$ -	\$ 2,841,001	\$ 2,841,001

2003

Salaries and Wages		Physician Fees and Outside Services		Supplies and Other		Total
\$	439,465	\$	-	\$	578,845	\$ 1,018,310
	-		-		299,731	299,731
	620,183		-		139,522	759,705
	98,999		-		3,667	102,666
	567,772		-		1,545,940	2,113,712
	934,484		-		619,271	1,553,755
	102,304		-		3,079	105,383
	173,101		-		176,601	349,702
	278,332		-		134,287	412,619
	228,429		-		4,613	233,042
	32,667		-		159,908	192,575
	167,817		-		28,703	196,520
	372,860		-		173,316	546,176
	126,100		-		41,143	167,243
	79,453		-		46,614	126,067
	75,942		-		61,894	137,836
	4,297,908		-		4,017,134	8,315,042
	-		-		1,831,880	1,831,880
	-		-		2,360,320	2,360,320
	-		-		4,422,955	4,422,955
	-		-		181,031	181,031
	-		-		77,714	77,714
	-		-		897,437	897,437
	-		-		15,377	15,377
	-		-		1,651,328	1,651,328
	-		-		119,034	119,034
	-		-		328,465	328,465
	-		-		11,885,541	11,885,541
\$	-	\$	-	\$	2,898,182	\$ 2,898,182

(Continued)

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2004 and 2003

	2004			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Residential facilities:				
Employee benefits:				
IPERS	\$ -	\$ -	\$ 36,599	\$ 36,599
FICA	-	-	46,661	46,661
Health and life insurance	-	-	87,940	87,940
Insurance	-	-	27,879	27,879
Depreciation and amortization	-	-	11,598	11,598
Rent of building and equipment	-	-	10,167	10,167
Total residential facilities	-	-	220,844	220,844
PATH:				
Employee benefits:				
IPERS	-	-	26,884	26,884
FICA	-	-	37,461	37,461
Health and life insurance	-	-	46,042	46,042
Insurance	-	-	24,926	24,926
Depreciation and amortization	-	-	37,058	37,058
Rent of building and equipment	-	-	51,619	51,619
Total PATH	-	-	223,990	223,990
Less intercompany transactions	-	-	18,877	18,877
	-	-	205,113	205,113
Total fiscal and administrative services and unassigned expenses	3,771,410	-	16,902,870	20,674,280
Total operating expenses	\$ 35,676,587	\$ 3,379,448	\$ 34,323,064	\$ 73,379,099

2003

Salaries and Wages		Physician Fees and Outside Services		Supplies and Other		Total
\$	-	\$	-	\$	34,634	\$ 34,634
	-		-		46,013	46,013
	-		-		95,835	95,835
	-		-		11,679	11,679
	-		-		12,643	12,643
	-		-		9,254	9,254
	-		-		210,058	210,058
	-		-		27,205	27,205
	-		-		35,121	35,121
	-		-		47,297	47,297
	-		-		7,198	7,198
	-		-		12,711	12,711
	-		-		39,101	39,101
	-		-		168,633	168,633
	-		-		-	-
	-		-		168,633	168,633
4,297,908		-		19,179,548		23,477,456
\$	35,061,543	\$	3,444,984	\$	34,991,820	\$ 73,498,347

Broadlawns Medical Center

Statements of Revenue, Expenses, and Changes in Net Assets, by Function Year Ended June 30, 2004

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 28,795,445	\$ 1,019,691	\$ 1,102,873	\$ -	\$ 30,918,009
Contracts	1,326,137	-	-	-	1,326,137
Operating grants	1,568,681	-	-	-	1,568,681
Other	2,226,062	-	-	18,877 (1)	2,207,185
Total operating revenue	33,916,325	1,019,691	1,102,873	18,877	36,020,012
Operating expenses:					
Nursing and medical services	21,438,983	112,326	328,368	-	21,879,677
Other professional service	22,963,912	508,597	441,206	-	23,913,715
General service	6,852,412	49,299	9,716	-	6,911,427
Fiscal and administrative service and unassigned expenses	17,139,054	338,090	326,356	18,877 (1)	17,784,623
Depreciation and amortization	2,841,001	11,598	37,058	-	2,889,657
Total operating expenses	71,235,362	1,019,910	1,142,704	18,877	73,379,099
Operating (loss)	(37,319,037)	(219)	(39,831)	-	(37,359,087)
Nonoperating revenue (expense):					
Property taxes	39,318,842	-	-	-	39,318,842
State appropriations	312,000				312,000
Noncapital grants and contributions	8,995	-	25	-	9,020
Investment earnings	79,260	219	895	13,787 (1)	66,587
Interest expense	(577,304)	-	-	(13,787) (1)	(563,517)
Capital grants and contributions	99,997	-	-	-	99,997
Other, net	36,474	5,523	-	-	41,997
Total nonoperating revenue (expense), net	39,278,264	5,742	920	-	39,284,926
Increase (decrease) in net assets	1,959,227	5,523	(38,911)	-	1,925,839
Net assets:					
Beginning	22,052,040	118,505	403,528	-	22,574,073
Ending	\$ 24,011,267	\$ 124,028	\$ 364,617	\$ -	\$ 24,499,912

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

Statements of Revenue, Expenses, and Changes in Net Assets, by Function Year Ended June 30, 2003

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 27,476,025	\$ 869,606	\$ 1,033,562	\$ -	\$ 29,379,193
Contracts	1,776,643	-	-	-	1,776,643
Operating grants	1,772,706	-	-	-	1,772,706
Other	2,248,981	-	-	18,877 (1)	2,230,104
Total operating revenue	33,274,355	869,606	1,033,562	18,877	35,158,646
Operating expenses:					
Nursing and medical services	20,810,435	113,251	274,074	-	21,197,760
Other professional service	21,393,973	497,162	380,468	-	22,271,603
General service	6,485,375	53,854	12,299	-	6,551,528
Fiscal and administrative service and unassigned expenses	19,936,682	335,161	300,954	18,877 (1)	20,553,920
Depreciation and amortization	2,898,182	12,643	12,711	-	2,923,536
Total operating expenses	71,524,647	1,012,071	980,506	18,877	73,498,347
Operating income (loss)	(38,250,292)	(142,465)	53,056	-	(38,339,701)
Nonoperating revenue (expense):					
Property taxes	36,544,212	-	-	-	36,544,212
State appropriations	312,198	-	-	-	312,198
Noncapital grants and contributions	21,774	-	-	-	21,774
Investment earnings	171,400	1,112	6,569	4,121 (1)	174,960
Interest expense	(635,819)	(93)	-	(4,121) (1)	(631,791)
Capital grants and contributions	42,746	-	-	-	42,746
Other, net	(38,919)	-	-	-	(38,919)
Total nonoperating revenue (expense), net	36,417,592	1,019	6,569	-	36,425,180
Increase (decrease) in net assets	(1,832,700)	(141,446)	59,625	-	(1,914,521)
Net assets:					
Beginning	23,884,740	259,951	343,903	-	24,488,594
Ending	<u>\$ 22,052,040</u>	<u>\$ 118,505</u>	<u>\$ 403,528</u>	<u>\$ -</u>	<u>\$ 22,574,073</u>

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

**Patient and Medical Center Statistical Data - Unaudited
Years Ended June 30, 2004 and 2003
(Unaudited)**

	2004	2003
Patient days:		
Medical, surgical, and pediatric	7,951	8,861
Obstetrics	711	819
Intensive care unit	1,120	1,311
Mental health	7,647	6,865
Nursery	670	737
Total patient days	18,099	18,593
Admissions	4,546	5,064
Discharges	4,517	5,067
Average length of stay (days):		
Acute	3.2	3.1
Mental health	6.0	5.2
Outpatient visits:		
Emergency room and urgent care room	27,724	27,459
Primary care	-	8,525
Walk-in Clinic	24,816	17,794
Doctors Health Clinic	10,323	7,222
Outpatient Clinic	23,010	22,186
OB Clinic	3,982	3,589
Family health center	17,384	19,305
Mental health	41,119	36,597
Dental clinics	8,576	7,551
Family Planning	2,792	2,941
Homeless outreach	3,257	3,170
Chemical dependency	3,891	4,701
	166,874	161,040

Broadlawns Medical Center

Organization Data

Year Ended June 30, 2004

		Expiration of Term
Board of Trustees:		
Mr. Paul Gillispie, Chair		December 31, 2008
Mr. Dave Harkness, Vice Chair		December 31, 2006
Ms. Mary Fuller, Secretary		December 31, 2006
Mr. Frank Harrison, Treasurer		December 31, 2004
Members:		
Ms. Deb Theisen-Chenchar		December 31, 2004
Ms. Cindy Gray		December 31, 2008
Ms. Janet Metcalf		December 31, 2004
Chief Executive Officer, Ms. Susan Hunsaker		
Chief Financial Officer, Mr. Gary G. Uhl		

Broadlawns Medical Center

Self-Insured Retention Funds Year Ended June 30, 2004

	Amount Funded from BMC	Claims Paid
Malpractice Fund:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2003	\$ -	\$ -
August 31, 2003	-	4,378
September 30, 2003	-	-
October 31, 2003	-	-
November 30, 2003	92,338	7,500
December 31, 2003	-	-
January 31, 2004	-	-
February 29, 2004	-	1,006
March 31, 2004	-	-
April 30, 2004	-	-
May 31, 2004	-	6,216
June 30, 2004	-	-
	<u>\$ 92,338</u>	<u>\$ 19,100</u>
Malpractice Fund:		
The St. Paul, beginning balance		
July 31, 2003	\$ -	\$ -
August 31, 2003	-	-
September 30, 2003	-	171,881
October 31, 2003	-	-
November 30, 2003	-	-
December 31, 2003	-	-
January 31, 2004	-	-
February 29, 2004	-	-
March 31, 2004	-	-
April 30, 2004	-	-
May 31, 2004	-	-
June 30, 2004	-	-
	<u>\$ -</u>	<u>\$ 171,881</u>
Malpractice Fund:		
LOC Wells Fargo Bank, NA, beginning balance		
June 30, 2004	\$ -	\$ -
Flexible Benefits:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2003	\$ (2,063)	\$ -
August 31, 2003 through June 30, 2004	-	-
	<u>\$ (2,063)</u>	<u>\$ -</u>
Workers' Compensation Fund:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2003	\$ -	\$ 22,134
August 31, 2003	-	13,173
September 30, 2003	-	13,753
October 31, 2003	-	6,925
November 30, 2003	152,500	14,529
December 31, 2003	-	38,857
January 31, 2004	-	38,498
February 29, 2004	-	20,424
March 31, 2004	261	9,720
April 30, 2004	-	5,203
May 31, 2004	-	8,849
June 30, 2004	152,100	9,182
	<u>\$ 304,861</u>	<u>\$ 201,247</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 2,575,930
\$ -	\$ 5,968	\$ (1,626)	\$ -	2,580,272
2,533	156	(1,256)	-	2,572,261
-	10,915	(460)	(235,196)	2,347,520
2,358	4,183	(156)	-	2,349,189
-	64	-	-	2,434,091
-	11,411	(1,239)	-	2,444,263
2,446	117	-	-	2,441,934
-	166	3,141	-	2,444,235
11,196	7,737	(407)	-	2,440,369
2,440	4,489	(2,814)	-	2,439,604
-	107	(508)	-	2,432,987
-	9,425	(11,186)	(744,879)	1,686,347
<u>\$ 20,973</u>	<u>\$ 54,738</u>	<u>\$ (16,511)</u>	<u>\$ (980,075)</u>	<u>\$ 1,686,347</u>
				\$ 29,659
\$ -	\$ -	\$ -	\$ -	29,659
-	-	-	-	29,659
-	(5)	-	235,196	92,969
-	-	-	-	92,969
-	-	-	-	92,969
-	-	-	-	92,969
-	59	-	-	93,028
-	-	-	-	93,028
-	58	-	-	93,086
-	-	-	-	93,086
-	-	-	-	93,086
-	38	-	-	93,124
<u>\$ -</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ 235,196</u>	<u>\$ 93,124</u>
				\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,879</u>	<u>\$ 744,879</u>
				\$ 2,062
\$ -	\$ 1	\$ -	\$ -	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
				\$ 548,181
\$ 25	\$ 255	\$ -	\$ -	526,277
168	286	-	-	513,222
-	254	-	-	499,723
121	233	-	-	492,910
-	237	-	-	631,118
-	262	-	-	592,523
144	302	-	-	554,183
-	292	-	-	534,051
37,827	253	-	-	487,018
116	248	-	-	481,947
-	223	-	-	473,321
-	231	-	-	616,470
<u>\$ 38,401</u>	<u>\$ 3,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 616,470</u>

(Continued)

Broadlawns Medical Center

Self-Insured Retention Funds (Continued) Year Ended June 30, 2004

	Amount Funded from BMC	Claims Paid
Self Insured Dental Fund:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2003	\$ -	\$ 20,701
August 31, 2003	55,629	25,313
September 30, 2003	27,181	17,962
October 31, 2003	27,587	23,556
November 30, 2003	27,883	-
December 31, 2003	27,426	60,334
January 31, 2004	383	18,046
February 29, 2004	-	24,544
March 31, 2004	(2,700)	23,925
April 30, 2004	113,102	30,763
May 31, 2004	28,726	24,413
June 30, 2004	28,718	21,621
	<u>\$ 333,935</u>	<u>\$ 291,178</u>
Health Insurance Fund:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2003	\$ 435,559	\$ 2,458
August 31, 2003	432,944	5,108
September 30, 2003	429,034	1,186
October 31, 2003	430,131	1,166
November 30, 2003	428,503	1,041
December 31, 2003	424,630	-
January 31, 2004	312,251	44,933
February 29, 2004	318,571	258,541
March 31, 2004	327,163	462,043
April 30, 2004	328,744	481,326
May 31, 2004	331,722	355,754
June 30, 2004	-	474,500
	<u>\$ 4,199,252</u>	<u>\$ 2,088,056</u>
Health Insurance Fund:		
Fleet National Bank, beginning balance		
July 31, 2003	\$ -	\$ 287,241
August 31, 2003	-	268,070
September 30, 2003	-	256,739
October 31, 2003	-	213,885
November 30, 2003	-	172,672
December 31, 2003	-	267,580
January 31, 2004	-	303,976
February 29, 2004	-	73,781
March 31, 2004	-	17,594
April 30, 2004	-	16,332
May 31, 2004	-	8,511
June 30, 2004	-	11,606
	<u>\$ -</u>	<u>\$ 1,897,987</u>

Administrative Fees		Interest Income		Realized Gain (Loss) on Investment		Transfers	Fund Balance
							\$ 158,741
\$	1,928	\$	76	\$	-	\$ -	136,188
	2,006		81		-	-	164,579
	2,004		64		-	-	171,858
	1,932		50		-	-	174,007
	-		52		-	-	201,942
	3,825		88		-	-	165,297
	2,192		80		-	-	145,522
	2,105		448		-	-	119,321
	23		34		-	-	92,707
	4,276		22		-	-	170,792
	2,131		21		-	-	172,995
	23		53		-	-	180,122
\$	22,445	\$	1,069	\$	-	\$ -	\$ 180,122
							\$ 2,535,362
\$	47,655	\$	909	\$	-	\$ (146,474)	2,775,243
	46,233		1,260		-	(312,623)	2,845,483
	47,655		1,055		-	(319,623)	2,907,108
	79,419		818		-	(234,023)	3,023,449
	45,782		694		-	(245,611)	3,160,212
	45,632		855		-	(206,879)	3,333,186
	69,235		1,113		-	(246,950)	3,285,432
	86,175		922		-	(191,989)	3,068,220
	40,789		642		-	(15,231)	2,877,962
	40,975		429		-	(23,417)	2,661,417
	41,035		269		-	-	2,596,619
	68,921		920		-	-	2,054,118
\$	659,506	\$	9,886	\$	-	\$ (1,942,820)	\$ 2,054,118
							\$ 37,450
\$	-	\$	-	\$	-	\$ 146,474	(103,317)
	-		-		-	312,623	(58,764)
	-		-		-	319,623	4,120
	-		-		-	234,023	24,258
	-		-		-	245,611	97,197
	-		-		-	206,879	36,496
	-		-		-	246,950	(20,530)
	-		-		-	191,989	97,678
	-		-		-	15,231	95,315
	-		-		-	23,417	102,400
	-		-		-	-	93,889
	-		-		-	-	82,283
\$	-	\$	-	\$	-	\$ 1,942,820	\$ 82,283

Broadlawns Medical Center

**Schedule of Revenue, Expenses, and Balances - Completed Contracts
Year Ended June 30, 2004**

	Special Supplemental Nutrition Program for Women, Infants, and Children #5883A031 and #5884A031	Family Planning #5883A031 and #5884A031
Revenue:		
Managed care	\$ -	\$ -
Other state	-	16,000
Other federal	1,053,352	65,014
County government	-	-
Other revenue	-	246
Total revenue	1,053,352	81,260
Expenses:		
Salaries	511,599	92,629
Personnel benefits	176,514	30,404
Travel	74	-
Staff training	2,419	542
Contracted services	-	45
Space costs:		
Cash	68,962	-
In-kind	-	-
Supplies	28,507	15,778
Telephone	686	-
Equipment maintenance and rent	16,933	-
Other expenses	-	-
Total allowable expenses	805,694	139,398
Distribution of management and general	245,706	36,005
Total expenses	1,051,400	175,403
	\$ 1,952	\$ (94,143)

	Non-IDPH PCHS Chem Dep	Magellan MBC Iowa Plan OP Chem Dep SVCS DPH Funded Clients Non-Medicaid	Management and General	Total
\$	-	\$ 211,485	\$ -	\$ 211,485
	-	-	-	16,000
	-	21,693	-	1,140,059
	257,625	-	-	257,625
	-	-	-	246
	257,625	233,178	-	1,625,415
	98,251	75,395	92,790	870,664
	31,611	24,258	32,908	295,695
	307	235	217	833
	485	372	338	4,156
	-	-	-	45
	62,137	47,682	-	178,781
	105,978	81,325	-	187,303
	1,837	1,409	2,489	50,020
	-	-	263	949
	-	-	-	16,933
	-	-	364,244	364,244
	300,606	230,676	493,249	1,969,623
	119,690	91,848	(493,249)	-
	420,296	322,524	-	1,969,623
\$	(162,671)	\$ (89,346)	\$ -	\$ (344,208)

Broadlawns Medical Center

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004**

Program Description	Federal CFDA Number	Grant Number	Program Expenditures
U.S. Department of Health and Human Services:			
Passed through PCHS, Projects for Assistance in the Transition from Homelessness	93.150	01-444-401-6890-2464-02	\$ 126,422
Passed through Iowa Department of Public Health:			
Magellan Behavioral Health, Inc.:			
Iowa Plan for Behavioral Health	93.959		211,485
Non-Medicaid and Meth Funds	93.959		21,693
Passed through Iowa Department of Public Health/ Division of Family and Community Health, Family Planning	93.217 93.217	5883AO31 5884AO31	6,085 58,929
Passed through U.S. Human Resources & Service Administration and through Mercy Foundation:			
Bioterrorism Hospital Preparedness	93.003	MC 00019-02	14,726
Community Access Program, Pharmacy	93.252	1G92OA00170-01	23,435
Community Access Program, Pharmacy	93.252	1G92OA00170-02-00	45,179
Total U.S. Department of Health and Human Services			<u>507,954</u>
U.S. Department of Agriculture:			
Passed through Iowa Department of Public Health/ Division of Family and Community Health, Special Supplemental Nutrition Program for Women, Infants, and Children	10.557 10.557	5883AO31 5884AO31	384,406 638,889
Breast Pump Reimbursement	10.557	5883AO31	4,915
Breast Pump Reimbursement	10.557	5884AO31	19,494
Passed through Iowa Department of Agriculture and Land Stewardship:			
Iowa Farmers Market Nutrition Program	10.572	1191-02-31	2,145
Iowa Farmers Market Nutrition Program	10.572	1191-02-31	3,504
Total U.S. Department of Agriculture			<u>1,053,353</u>
Federal Emergency Management Agency, Passed through United Way of America, Emergency Food and Shelter	85.523	21-3006-00 016E9	<u>5,577</u>
U.S. Housing and Urban Development, Passed through City of Des Moines, Emergency Shelter Grant (ESG) Contract Work Program	14.231	03-ES-006	<u>1,797</u>
			<u>\$ 1,568,681</u>

See Note to Schedule of Expenditures of Federal Awards.

Broadlawns Medical Center

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Note 1. General

The purpose of the schedule of expenditures of federal awards (Schedule) is to present a summary of those activities of Broadlawns Medical Center (Medical Center) for the year ended June 30, 2004, which have been financed by the United States government. For the purposes of the Schedule, federal awards include all federal assistance entered into directly between the Medical Center and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. The Schedule does not include payments received under Medicare and Medicaid reimbursement programs. Because the Schedule presents only a selected portion of the activities of the Medical Center, it is not intended to, and does not, present the financial position, revenue and expenses, changes in net assets, and cash flows of the Medical Center.

Deductions or expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursements.

Broadlawns Medical Center

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2004**

There were no findings reported in the prior year or unresolved findings from prior years.

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

We have audited the basic financial statements of Broadlawns Medical Center as of and for the year ended June 30, 2004, and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Broadlawns Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Broadlawns Medical Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 04-II-A, 04-II-B, 04-II-C, and 04-II-D.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of Broadlawns Medical Center in a separate letter, dated September 2, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Broadlawns Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Finance Committee, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
September 2, 2004

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

Compliance

We have audited the compliance of Broadlawns Medical Center with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Broadlawns Medical Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Broadlawns Medical Center's management. Our responsibility is to express an opinion on Broadlawns Medical Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Chapter 11 of the Code of Iowa; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Broadlawns Medical Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Broadlawns Medical Center's compliance with those requirements.

In our opinion, Broadlawns Medical Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Broadlawns Medical Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Broadlawns Medical Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Finance Committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
September 2, 2004

Broadlawns Medical Center

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? X Yes None Reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program
10.557	Special Supplemental Food Program for Women, Infants, and Children

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? X Yes No

Broadlawns Medical Center

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

(A) Reportable Conditions in Internal Control

04-II-A

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The Medical Center has an improper segregation of duties over the payroll cycle.

Condition: The payroll department has the responsibility of updating the payroll master records, recording payroll transactions, and printing the payroll checks.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend access to printed checks be removed from the individual responsible for the record keeping function. In addition, an individual independent of the payroll department should review the edit report generated by the system. Alternatively, access to make wages and personnel changes from the payroll department should be removed from the payroll department.

Response and Corrective Action Plan: The Medical Center will reassign duties so that the accounts payable clerks, which do not have access to the payroll system, will print the checks, insert the checks into envelopes, and distribute payroll. Additionally, payroll access to make wage and personnel changes will be removed and the Human Resources Department will be responsible for making the changes in the system.

04-II-B

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The Medical Center has an improper segregation of duties over the cash disbursement cycle.

Condition: The accounting clerks have the capability of adding new vendors to the system, have access to the blank check stock, have the ability to post invoices for payment and are responsible for check disbursement.

Criteria: Misappropriation of assets could occur and not be detected in a timely manner.

Broadlawns Medical Center

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

Recommendation: We recommend restricting the number of individuals who can enter and alter vendor information. An edit report showing all vendors that have recently been added to the system or changes made to current vendor information should be produced and reviewed by management. An individual independent of the accounts payable process should print and mail the checks with only copies returned to accounts payable for filing purposes.

Response and Corrective Action Plan: The Medical Center will reassign duties so that the Director of Accounting will review all changes to the vendor file. Additionally, the Medical Center will reassign duties so that the Payroll Clerk or the Financial Accountant, which do not have access to the accounts payable system, will print the checks, insert the checks and attachments into envelopes, and mail the checks. Any checks being held for pick up, will be distributed by the Administrative Assistant for Finance.

04-II-C

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The Medical Center has an improper segregation of duties over the investment cycle.

Condition: The accounting manager has the ability to initiate and approve the purchase or sale of investments and has general ledger access. Currently, there is no supervisory review of the investment statements by an independent individual.

Criteria: Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: We recommend the chief financial officer review the investment statements and investment reconciliations prepared by staff.

Response and Corrective Action Plan: The Chief Financial Officer will review the investment statements and investment reconciliations prepared by staff.

04-II-D

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The Broadlawns Medical Center Foundation has an improper segregation of duties over the cash receipt cycle.

Condition: The special project secretary has access to monies received, posts the donation to the Foundation software and the receipts spreadsheet, and generates thank you letters. The receipts spreadsheet is then used to post the receipts to the general ledger but a reconciliation is not completed between the two systems.

Criteria: Misappropriation of assets could occur and not be detected in a timely manner.

Broadlawns Medical Center

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

Recommendation: We recommend this position does not receive the actual monies but instead receives copies to prepare the spreadsheet and enter the information into the software to generate thank you letters. Also, a reconciliation between the Foundation software and general ledger information should be conducted by an independent individual.

Response and Corrective Action Plan: Subsequent to year-end, the special project secretary no longer receives the actual monies to post from. Copies of the receipts are given to post to the Foundation software. Also, a separate individual started preparing the receipt spreadsheet and this person does not have access to the Foundation software.

(B) Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

(A) Reportable Conditions in Internal Control

None reported.

(B) Compliance Findings

None reported.

IV. Other Findings Related to Required Statutory Reporting

04-IV-A – Official Depositories:

A resolution naming official depositories has been adopted by the Board

Finding: Maximum deposit amounts were not stated in the resolution naming official depositories.

Recommendation: The Board should adopt a resolution with maximum deposit amounts included for each depository.

Response and Corrective Action Plan: The Board will adopt the resolution as required by the Code of Iowa.

Conclusion: Corrective action plan accepted.

Broadlawns Medical Center

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

04-IV-B - Certified Budget:

Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted.

04-IV-C - Questionable Expenditures:

No expenditures that may not meet the requirements of public purpose as defined in Attorney General's opinion dated April 25, 1979 were noted.

04-IV-D - Travel Expense:

No expenditures of the Medical Center money for travel expenses of spouses of Medical Center's officials and/or employees were noted.

04-IV-E - Business Transactions:

No business transactions between the Medical Center and Medical Center officials were noted.

04-IV-F - Board Minutes:

No transactions were found that we believe should have been approved in the Board minutes but were not.

04-IV-G - Deposits and Investments:

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Medical Center's investment policy were noted.

04-IV-H - Publication of Bills Allowed and Salaries:

Chapter 347.13(14) of the Code of Iowa states "There shall be published quarterly in each of the official newspapers of the county as selected by the Board of Supervisors pursuant to Section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category...." The Medical Center published a schedule of bills allowed or a schedule of salaries paid as required by the Code.

Broadlawns Medical Center**Corrective Action Plan****Year Ended June 30, 2004**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Reportable conditions in internal control:				
04-II-A	The Medical Center does not have adequate segregation of duties needed for an effective system of internal accounting control over the payroll cycle.	See response and corrective action plan at 04-II-A.	June 2005	Gary Uhl
04-II-B	The Medical Center does not have adequate segregation of duties needed for an effective system of internal accounting control over the cash disbursement cycle.	See response and corrective action plan at 04-II-B.	June 2005	Gary Uhl
04-II-C	The Medical Center does not have adequate segregation of duties needed for an effective system of internal accounting control over the investment cycle.	See response and corrective action plan at 04-II-C.	June 2005	Gary Uhl
04-II-D	The Foundation does not have adequate segregation of duties needed for an effective system of internal accounting control over the cash receipt cycle.	See response and corrective action plan at 04-II-D.	July 2004	Mikki Stier
Other findings related to required statutory reporting:				
04-IV-A	Maximum deposit amounts were not stated in the resolution naming official depositories.	See response and corrective action plan at 04-IV-A.	June 2005	Gary Uhl